Sustainable Resource Development

Annual Report
2011-2012

Alberta
Government

Copies of the annual report are available on the Alberta Environment and Sustainable Resource Development website at srd.alberta.ca or by contacting:

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Sustainable Resource Development

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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 21 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the government's strategic plan.

On October 12, 2011, the government announced new Ministry structures. The 2011-12 Ministry annual reports and financial statements have been prepared based on the new Ministry structure.

This annual report of the Ministry of Sustainable Resource Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Sustainable Resource Development, regulated funds and provincial agencies for which the minister is responsible;**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.**

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministry of Sustainable Resource Development was restructured. The Ministry of Sustainable Resource Development and the Ministry of Environment and Water were consolidated and are renamed as the "Ministry of Environment and Sustainable Resource Development". This most recent restructuring will be reflected in the 2012-13 Ministry Annual Report.

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2012, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at June 15, 2012 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

original signed by:

Honourable Diana McQueen
Minister of Environment and Sustainable Resource Development

Message from the Minister

In our busy province we need to make smart choices about the way we grow, and strike the right balance between economic growth, environmental and social objectives. It is this balance between development and conservation, at the heart of Sustainable Resource Development's mission, which is so critical to our future.

We understand that many Alberta families depend on our natural resources for their livelihood. But at the end of a long work week, we all want to head out and enjoy our beautiful and diverse natural landscape. Those moments serve to strengthen our shared commitment to conserve our natural heritage for the next generation.

It is Sustainable Resource Development's responsibility to manage Alberta's public lands, forests, fish and wildlife to provide economic and biodiversity benefits and to enrich Albertans' quality of life. Over the past year we have been focused on many worthy initiatives that support Sustainable Resource Development's mission to contribute to the provincial economy and sustain Alberta's public lands and natural resources through responsible and innovative resource management and conservation.

We began implementing the Public Lands Administration Regulation (PLAR), designed to help us better manage an increasingly busy landscape and ensure that the wide array of activities on public land remain sustainable. PLAR strengthens public land stewardship with new rules to deal with those who mistreat the land and outlines responsive enforcement tools to address contraventions. PLAR also provides clarity regarding the use of vacant public land, while supporting a balance between development and conservation objectives.

To enhance client service, Sustainable Resource Development also implemented several improvements to the Enhanced Approval Process, a major accomplishment and one way the Ministry is streamlining the oil and gas regulatory system to support Alberta's competitiveness. The department launched an online training module and completed revisions to several public documents such as the Enhanced Approval Process Manual and Landscape Analysis Tool User Guide. We are approving applications faster with time- and cost-savings to industry and government.

An important priority in 2011-12, and another initiative to support Alberta's competitiveness, was the ongoing work with the forest industry to improve the sector's long-term viability. Sustainable Resource Development recognizes the need for new revenue streams for Alberta's forest-based communities. Alberta is working with other provinces and industry to find ways to move our wood products to Asian markets. Forest product research and development continues, along with the work of the Forest Products Roadmap, to diversify products and open new markets.

Advancing initiatives that help us manage growth pressures and activity on an increasingly busy landscape are aligned, of course, with regional planning under the Land-use Framework. Work progressed on the first three plans, for the Lower Athabasca, South Saskatchewan and North Saskatchewan.

The Land-use Framework's enabling legislation, the *Alberta Land Stewardship Act*, was amended in May of 2011 to clarify that the Act does not limit any existing rights to compensation, respects

all existing appeal provisions in Alberta legislation and does not include land titles and freehold mineral rights within the definition of statutory consents. The amendments also include a clear statement that government must respect the property and other rights of individuals.

A major change in the Fish and Wildlife Division saw Enforcement Field Services staff move to Solicitor General and Public Security. The management of fish and wildlife resources remains under Sustainable Resource Development, including legislation and policy. Sustainable Resource Development will continue to collaborate with the new Ministry of Justice and Solicitor General to ensure the same high quality of work remains in the field, including education, communications and enforcement. The mandate of the division is unchanged, to ensure that fish and wildlife resources are sustained for all Albertans, today and into the future.

Sustainable Resource Development also advanced projects designed to prevent and reduce human-bear conflicts, releasing the Alberta BearSmart program manual and launching the Southwest Alberta Grizzly Bear Monitoring Project to monitor populations.

In 2011-12 the Natural Resources Conservation Board was awarded a Gold Premier's Award of Excellence and an Excellence Canada Award of Merit for its groundwater protection program under the *Agricultural Operation Practices Act*. The Surface Rights Board and the Land Compensation Board reported improvements in their dispute resolution services and continued to effectively process a high volume of applications.

While all of our work is of value to Albertans, nothing is more important than protecting lives and the safety of communities – our top priorities in fighting wildfires.

Last year we saw just how destructive and dangerous wildfires can be. Extreme weather in May 2011 fanned some of the most destructive wildfires in Canada's history. On May 14 and 15, 2011, two wildfires entered the communities of Widewater, Canyon Creek, Poplar Estates, and Slave Lake damaging or destroying more than 500 properties. More than 15,000 people were evacuated from the area. These wildfires caused more than $700 million in damages, making it the second-most costly insured disaster in Canada.

Sustainable Resource Development and our partners responded quickly to the Slave Lake and area wildfires and with significant resources. The Ministry's wildfire management framework enables the department to quickly detect, contain and suppress wildfires. During the 2011 wildfire season, Sustainable Resource Development contained 96.1 per cent of wildfires within our stated target of 10 a.m. the day following assessment.

FireSmart is a valuable program to help educate municipalities and Albertans about wildfire prevention. The FireSmart Community Grant Program awarded more than $1.2 million to 23 applicants in 2011-12. Grants are used to develop vegetation management programs, FireSmart education programs, community plans and bylaws, along with cross-training initiatives to help prepare emergency responders from various agencies to respond to a wildfire.

It is important to acknowledge the incredible dedication of so many Sustainable Resource Development employees who worked very long hours as we responded to the Slave Lake wildfires. Thank you as well to all Sustainable Resource Development employees for your hard work and for the great job you do each and every day.

original signed by:

Honourable Diana McQueen
Minister of Environment and Sustainable Resource Development

Management's Responsibility for Reporting

The Ministry of Sustainable Resource Development includes:

- Department of Sustainable Resource Development,
- Environmental Protection and Enhancement Fund,
- Land Stewardship Fund,
- Natural Resources Conservation Board,
- Surface Rights Board, and
- Land Compensation Board.

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Sustainable Resource Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability - information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability - the performance measure methodologies and results are presented clearly.
- Comparability - the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness - goals, performance measures and related targets match those included in the Ministry's Budget 2011.

As Deputy Minister, in addition to program responsibilities, I am responsible for the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;

- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, the President of Treasury Board and Minister of Finance and the Minister of Sustainable Resource Development information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executives of the individual entities within the Ministry.

original signed by:

Dana Woodworth
Deputy Minister
Environment and Sustainable Resource Development

June 15, 2012

Results Analysis

Ministry Overview

Sustainable Resource Development's mission is to contribute to the provincial economy and sustain Alberta's public lands and natural resources through responsible and innovative resource management and conservation. The Ministry accomplishes its mission through the application of leading practices in management, science and stewardship. Working collaboratively with Albertans, communities, other governments and industry at provincial, regional and community levels, the Ministry develops and implements policies, plans, strategies and legislation to achieve desired outcomes for Albertans.

Our core business is to manage Alberta's public lands, forests, fish and wildlife to provide economic and biodiversity benefits to enrich Albertans' quality of life. As a result of the growing demands placed upon public land use and consequent impacts on Alberta's renewable natural resources, the Ministry must sometimes make difficult trade-off decisions to effectively and efficiently deliver its core business. Sustainable Resource Development endeavours to ensure that all resource management decisions respect the right mix of economic, environmental and social opportunities and benefits at the right place and time.

The Ministry consists of the Department of Sustainable Resource Development, the Land Use Secretariat, the Surface Rights Board, the Land Compensation Board, the Natural Resources Conservation Board, the Land Stewardship Fund and the Environmental Protection and Enhancement Fund. The Surface Rights Board, Land Compensation Board and Natural Resources Conservation Board are adjudicative agencies reporting to the Minister of Sustainable Resource Development with their own business plans and annual reports. In addition, the Ministry partners with three delegated administrative organizations to deliver some programs. These associations operate with separate board governance and financial management. They are the Alberta Conservation Association, the Alberta Professional Outfitters Society and the Forest Resource Improvement Association of Alberta.

The Department of Sustainable Resource Development has three main operating divisions: Lands, Fish and Wildlife, and Forestry:

Lands Division

The Lands Division manages Alberta's public land and creates and implements strategies, legislation, policies and programs that enable orderly access to and use of land. The division manages Alberta's public land for economic and social benefit as well as for habitat conservation, protection of watersheds and biological diversity. The division focuses on several key areas:

- Managing the use of all public land to support diverse interests including recreation; agriculture; commercial tourism; geophysical exploration; metallic and industrial minerals exploration; aggregate (sand and gravel) exploration and extraction; and oil, gas, coal, oil sands and quarry development.

- Working with Albertans to improve shared stewardship; developing integrated management and landscape plans and practices that mitigate land use effects on fish and wildlife resources; and ensuring land productivity is maintained through effective reclamation.
- Administering and issuing land use dispositions, approvals and authorization plus monitoring compliance with all user conditions and requirements.
- Coordinating Sustainable Resource Development's participation and deliverables under the Land-use Framework.

Fish and Wildlife Division

The Fish and Wildlife Division is responsible for managing Alberta's fish and wildlife resources and championing development of associated strategic policy. This includes biodiversity, fisheries, wildlife and data management; hunting and fishing licencing; overseeing species at risk recovery; and wildlife diseases. The division focuses on several key areas:

- Ensuring a clear and effective policy and legislative framework for recovering species at risk and for managing wild species, fish and wildlife populations for conservation and sustainable domestic, recreational and commercial uses.
- Working with Albertans to mitigate human-wildlife interactions that result in threats to human safety and property damage.
- Engaging Albertans to improve shared stewardship of our fish and wildlife resources and to conserve the natural diversity of ecosystems they are dependent upon.

The Assistant Deputy Minister for this division is also responsible for regional operational areas in Clearwater, Foothills, Lesser Slave, Peace/Upper Hay, Prairies, Smoky, Southern Rockies, Waterways/Lac La Biche and Woodlands.

Forestry Division

The Forestry Division manages and protects Alberta's forest resource through effective and efficient wildfire management, sustainable forest management, forest health activities and forest industry development. These initiatives are supported using the best information, science and technology available to ensure long-term benefits for Albertans. As well, the division uses strategies, legislation and policies for the protection, conservation and sustainable management of forests by focusing on several key areas:

- Advocating for the forest industry with stakeholders from government, academia and the public to enhance forest industry competitiveness and sustain the forestry sector's contribution to Alberta's economy.
- Managing wildfires and implementing pre-emptive strategies to promote public safety; maintain forest health; and manage infestations of disease, invasive plants and insect pests, such as the mountain pine beetle.
- Working with Albertans to support the acquisition of science-based information to inform management decisions, support policy development and develop best practices for applying scientific information to ensure the wise use and sustainability of Alberta's natural resources.

Ministry Support Services

The Corporate Services Division provides coordinated corporate support to the Ministry and delivers a number of services that are more efficiently delivered centrally. The division consists of six branches - Sustainable Resource Environmental Management Aboriginal Affairs, Corporate Business Support, Finance and Administration, Information and Communications Technology, Resource Information Management, and GeoDiscover Alberta. Ministry Support Services also includes communications, human resources and legal services.

Land Use Secretariat

The Land Use Secretariat provides leadership, support and expertise to government ministries to coordinate how Alberta's Land-use Framework is implemented. It also oversees the development of regional land-use plans; supports the regional advisory councils in providing their advice to government; and leads public, stakeholder, municipal and Aboriginal consultations so that Albertans are engaged in the development of regional plans.

In 2011-12, priorities for the Ministry in working with the Land Use Secretariat included:

- Developing and implementing regional plans to support Alberta's Land-use Framework.
- Integrating Ministry business to support implementation of regional plans and Land-use Framework strategies.

Agencies and Boards

Natural Resources Conservation Board

The Natural Resources Conservation Board is accountable to the Minister of Sustainable Resource Development and is responsible for:

- Conducting independent public reviews of major, non-energy, natural resource projects under the *Natural Resources Conservation Board Act*.
- Regulating the confined feeding industry under the *Agricultural Operation Practices Act* through its operational division.
- Hearing appeals of regulatory decisions made by the board's operational division regarding confined feeding operations.

Surface Rights Board and Land Compensation Board

The Surface Rights Board (SRB) and the Land Compensation Board (LCB) are quasi-judicial boards established by the *Surface Rights Act* and the *Expropriation Act*, respectively, which operate at arm's length from the Ministry.

The SRB grants right-of-entry orders and determines compensation on entry for resource activity and power transmission lines; reviews right of entry and surface lease annual rents; settles disputes and determines compensation for damages incurred by landowners; and recommends payment by the Minister for unpaid compensation including annual rent.

The LCB determines whether expropriation should proceed when there is an objection; and determines compensation payable to landowners and tenants where land has been expropriated by an authority and the parties cannot agree.

Land Stewardship Fund

The Land Stewardship Fund supports the Ministry's vision of stewardship of Alberta's lands, forests, fish and wildlife for the benefit of both present and future generations. Revenue generated from public land sales is allocated to the Land Stewardship Fund to support the Alberta Land Trust Grant Program and the Alberta Land Purchase Program. Both programs aim to conserve ecologically important areas to prevent habitat fragmentation, maintain biodiversity and preserve native landscapes.

The Environmental Protection and Enhancement Fund

The Environmental Protection and Enhancement Fund provides immediate funding for environment-related emergencies. This includes forest resource related emergencies such as fighting wildfires, responding to forest health emergencies and wildlife emergencies such as intercept feeding and fencing to prevent damage caused by wildlife. The Ministry contributes to the fund's revenues primarily through timber rentals and fees, softwood lumber fees, grazing lease and land disposition fees.

AUDITOR GENERAL *Alberta*

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as "Reviewed by Auditor General" in the *Ministry of Sustainable Resource Development's 2011-12 Annual Report*. The reviewed performance measures are the responsibility of the Ministry and are prepared based on the following criteria:

- Reliability - information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability - the performance measure methodologies and results are presented clearly.
- Comparability - the methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness - goals, performance measures and related targets match those included in the Ministry's Budget 2011.

My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the Ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating Ministry progress towards the related goals.

Based on my review, nothing has come to my attention that causes me to believe that the "Reviewed by Auditor General" performance measures in the Ministry's 2011-12 Annual Report are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability, and completeness as described above.

original signed by Merwan N. Saher, FCA

Auditor General

May 11, 2012

Edmonton, Alberta

Performance measures reviewed by the Auditor General are noted with an asterisk (*) on the Performance Measures Summary Table

Performance Measures Summary Table

	Prior Year's Results				Target	Current Actual
Goal 1: Alberta's public lands, forests, fish and wildlife are managed to provide economic benefits						
1.a Economic Benefit from Alberta's Public Lands:						
Ratio of department revenue from dispositions to department expenditure on managing public lands	$1.33:1 2006-07	$1.19:1 2007-08	$1.37:1 2008-09	$1.13:1 2009-10	**>$1.0**	$1.36:1 2010-11
Ratio of Alberta government resource revenue to department expenditure on managing public lands	$207:1 2006-07	$196:1 2007-08	$217:1 2008-09	$106:1 2009-10	**>$100**	$132:1 2010-11
1.b Sustainable Timber Harvest*:						
Annual allowable cut (million cubic metres)	25 2006-07	26 2007-08	27 2008-09	28 2009-10	**Harvest does not exceed annual allowable cut**	29 2010-11
Harvest (million cubic metres)	21 2006-07	21 2007-08	21 2008-09	21 2009-10		20 2010-11
1.c Healthy fish and wildlife - participation:						
Percentage change in fishing licences	0.9% 2007-08	3.7% 2008-09	8.5% 2009-10	-6.7% 2010-11	**4% increase**	2.1% 2011-12
Percentage change in hunting licences	5.0% 2007-08	2.3% 2008-09	0.2% 2009-10	2.0% 2010-11	**1% increase**	0.4% 2011-12

Performance Measures Summary Table (continued)

	Prior Year's Results				Target	Current Actual
Goal 2: Alberta's public lands, forests, fish and wildlife are managed to provide biodiversity benefits						
2.a Rangeland Sustainability:						
Percentage of rangeland leases in good standing	90% 2006-07	89% 2007-08	87% 2008-09	86% 2009-10	**90%**	84% 2010-11
2.b Healthy forests – wildfire*:						
Percentage of wildfires contained before 10 a.m. the day following detection**	97.2% 2007	98.1% 2008	98.7% 2009	98.1% 2010	**5 year average 97.7%**	96.1% 2011
2.c Healthy forests - industry:						
Percentage of industry compliance with forestry standards	-	new measure	97.8% 2009-10	98.5% 2010-11	**100%**	99.2% 2011-12
2.d Healthy fish and wildlife - populations:						
Percentage of species at risk	-	-	-	2.2% 2005	**<5%**	3.6% 2010

Performance Measures Summary Table (continued)

	Prior Year's Results				Target	Current Actual
Goal 3: Alberta's public lands, forests, fish and wildlife enrich Albertans' quality of life						
3.a Regional Planning:						
Regional plans approved by Cabinet	-	new measure	0 2009-10	0 2010-11	**1 in 11-12 1 in 12-13 1 in 13-14**	0 2011-12
3.b Healthy forests - rate of regrowth:						
Percentage of forest regrowth attained	-	new measure	new measure	96.7% 2009-10	**80%**	96.3% 2010-11
3.c Healthy fish and wildlife - stewardship:						
Percentage change in anglers under 18 years of age	-6.3% 2007-08	1.4% 2008-09	7.0% 2009-10	-6.3% 2010-11	**2% increase**	6.0% 2011-12
Percentage change in hunters under 18 years of age	10.9% 2007-08	8.8% 2008-09	3.5% 2009-10	6.7% 2010-11	**3% increase**	1.7% 2011-12

For more detailed information see Performance Measure Methodology section on page 108 of the report.

* **Indicates Performance Measures that have been reviewed by the Office of the Auditor General. The performance measures indicated with an asterisk were selected for review by Ministry management based on the following criteria established by government:**

- **Enduring measures that best represent the goal and mandated initiatives**
- **Measures for which new data is available**
- **Measures that have well established methodology.**

** **The wording for the target has been updated since the 2011-14 Sustainable Resource Development Business Plan to provide greater clarity that the target is based on the percentage of wildfires contained before 10 a.m. the day following *assessment*, rather than the day following detection. There has been no change in the underlying methodology by which the result is calculated.**

GOAL 1
Alberta's public lands, forests, fish and wildlife are managed to provide economic benefits

Results:

Integrated regulatory and management systems

In 2011-12, Sustainable Resource Development worked with partners from across all levels of government to integrate Alberta's land management regulatory system to improve competitiveness while maintaining Alberta's strong commitment to environmental management, public safety and resource conservation. As an active member of the Clean Energy Natural Resources Group, Sustainable Resource Development worked closely with other ministries with natural resource-related mandates to increase coordination across government and provide greater integration in the development and management of Alberta's natural resources.

Effective integration requires enabling legislation, coordinated planning and active monitoring; in 2011-12, Sustainable Resource Development collaborated with other government Ministries and partners in support of this agenda. Sustainable Resource Development worked closely with government Ministries to develop and amend legislation required to support the implementation of the Regulatory Enhancement Project in 2012-13. The Land Use Secretariat continued efforts to establish regional plans, related legislation and regulations to provide greater clarity and support for regional plan implementation under the Land-use Framework and more effective land management. Alberta and Canada are cooperating to deliver a strong environmental monitoring system for the oil sands areas of the province.

The Comprehensive Regional Infrastructure Sustainability Plan (CRISP) was approved by Cabinet in April 2011 as a guide for infrastructure development in the Athabasca Oil Sands Area. As a member of the CRISP implementation team, Sustainable Resource Development was involved in several projects to ensure that the oil sands resource is developed in a way that respects the key outcomes of reducing the environmental footprint, increasing quality of life for Albertans and optimizing economic growth.

At a scale below regional planning, Sustainable Resource Development uses an integrated land management (ILM) approach to inform land management planning, decision-making and activities on the landscape. ILM can also help balance economic outcomes with impacts on biodiversity. This proactive approach helps to mitigate impacts of industrial development on fish and wildlife resources, including species at risk. The Berland Smoky Regional Access Development plan is an example of ILM - it is a collaborative effort between Sustainable Resource Development and 15 industry partners to integrate industrial road access and manage the human footprint on Alberta's landscape. In December 2011, the plan set a defined network of primary and secondary corridors in the Berland Smoky area outside of core caribou habitat. This network reflects the land and resource needs of both the forestry and energy sectors, and will help stakeholders operating in the area to address management strategies for caribou and grizzly

bear habitat. The plan will act as a framework for future integrated access management plans as they evolve across the province.

The Public Lands Administration Regulation (PLAR), which came into force in September 2011, provides updated tools to better manage public lands by consolidating four regulations under the *Public Lands Act*. PLAR focuses on three key themes of land management; compliance and enforcement; appeals and dispute resolution. The regulation strengthens public land stewardship with new rules to deal with those who mistreat the land and outlines responsive enforcement tools. PLAR also provides clarity regarding the use of vacant public land, while supporting a balance between development and conservation objectives. Transparency and accountability are provided through an appeal and dispute resolution process, along with easier access to information through routine disclosure processes. The regulation supports more efficient decision-making for industry by streamlining application processes from 27 processes to three. A clear, streamlined process supports more timely business access to the land and reduces administrative work, giving staff more time to focus on ensuring sustainable and compliant use of public land.

The implementation of PLAR is a multi-stage, multi-year process. In 2011-12, some standard operating procedures, policies and guidelines were developed and this work will continue in the upcoming year. An appeals coordinator was appointed this past year to support the PLAR appeal process and work will continue to develop the Public Lands Appeal Board. As new tools and processes are being developed and implemented, Sustainable Resource Development will continue to provide information to stakeholders and the public on how the regulation affects land use, along with the new tools and opportunities that will enhance the way public land is accessed, administered and managed.

The Enhanced Approval Process (EAP) provides a transparent and efficient application system for issuing surface land dispositions for oil and gas development under authority of the *Public Lands Act*. The EAP helps ensure land and natural resource sensitivities are considered while also enabling energy related land-use activities. Sustainable Resource Development implemented many improvements to the EAP in 2011-12, including the launch of an online training module and revisions to several public documents such as the EAP Process Manual, Landscape Analysis Tool User Guide and EAP website. As of March 1, 2012, applications for conventional and most unconventional oil and gas activities will be accepted through the EAP for surface land dispositions related to oil and gas development.

The Ministry supports Alberta's economic competitiveness through our first goal which is to manage Alberta's public lands, forests, fish and wildlife to provide economic benefits. The EAP is an example of enhancing competitiveness through industry's ability to conduct land-based activities. At the same time the Ministry can conduct consistent land-based management and oversight across the province.

The EAP provides effectiveness, efficiency, accountability, integration, predictability and fairness at the application, review, approval, and compliance levels. Dispositions within scope of the EAP are targeted for issuance in five business days when the applicant has satisfied standard submission requirements. Over the past year, Sustainable Resource Development approved 4,990 dispositions within the scope of the EAP: 97 per cent of standard applications were approved in eight days or less; 89 per cent were approved within five days; and 79 per cent of non-standard applications were approved within 20 days. When applications meet standard submission requirements, approval is faster with time- and cost-savings to industry and government.

In 2011-12, Sustainable Resource Development enhanced management systems to support the administration of the Surface Material Resource Program (SMRP) for the extraction of sand, gravel, peat and other surface materials. General accomplishments included the following:

- Processes for improving inspections of operations through further enhancement and delivery of the Land Management Inspection Program, a program to prioritize and direct land-use inspections of dispositions on public land.
- Efficient access to information on dispositions through enhancements to the Geographic Land Information Management Planning System (GLIMPS). GLIMPS allows Sustainable Resource Development to manage and administer dispositions and can be used to monitor compliance.
- Improvements to verify the volume of surface materials extracted and the associated royalty payable, as reported by the sand and gravel industry.
- Ongoing development of an audit program that will integrate the assessment of clients' books and records with the physical verification of volumes extracted.

Sustainable Resource Development typically sells about 4,000 hectares of public land a year for the development of housing, infrastructure, businesses and industry, which helps to create jobs and support the economy. A Memorandum of Understanding signed with the Regional Municipality of Wood Buffalo (RMWB) in August 2011 provides a commitment to release Crown lands required for development in the RMWB for approximately 20 years. Sustainable Resource Development will sell or transfer this land to RMWB or another Ministry to ensure that the land is available for development. This sale/transfer process involves many considerations, such as existing access, environmental sensitivities, First Nations consultation and stakeholder engagement.

Sustainable Resource Development continues to transfer tax recovery land back to municipalities to support local decision-making. The lands being transferred were formally private lands that have been held under provincial management due to tax forfeiture. For many years, Sustainable Resource Development managed these lands with the understanding that they would be transferred back to the municipalities. In 2011-12, Sustainable Resource Development transferred

approximately 7,600 hectares back to municipalities. To date, the government has transferred approximately 80 per cent of the original tax recovery land back to municipalities. The balance, approximately 27,000 hectares, will be transferred to municipalities as the associated grazing leases expire, or before the lease expires with agreement of the leaseholder. All affected leaseholders have been given at least 10 years notice.

The Alberta government has retained some environmentally significant tax recovery land near rivers, water bodies and coulees. This will ensure that land with sensitive ecological values, valuable wildlife habitat, grazing and recreation opportunities will be managed as public land over the long-term. More than 14,000 hectares have been retained for this purpose.

Advocating for the forest industry

Alberta's forest industry generates more than $4 billion per year in revenue and supports approximately 18,000 jobs. Sustainable Resource Development ensures that Alberta's timber resources are sustained for present and future generations by negotiating Forest Management Agreements (FMA) with industry. These agreements provide the right to establish, grow, harvest and remove timber in a manner that is consistent with sustainable forest management practices. FMAs are significant long-term agreements that provide a source of economic certainty for the forest sector and resource-based communities. In September 2011, Sustainable Resource Development renewed the FMA for Alberta Pacific Forest Products Incorporated.

Monitoring the sustainability of timber harvest in the province is one of Sustainable Resource Development's performance measures. In 2010-11 (results for this performance measure lag by one year), the actual timber harvest of 20 million cubic metres was well below the Annual Allowable Cut of 29 million cubic metres. The result indicates that Alberta's forests are sustainable at the current level of timber harvesting.

Alberta's forest industry faces significant competitive challenges from declining demand for lumber and paper, to increasing competition from pulp and paper producers in the southern hemisphere. Sustainable Resource Development continues to work with industry to identify options to improve the sector's long-term viability. In 2011-12, Sustainable Resource Development worked with forest industry chief executives to develop the Forest Products Roadmap. The roadmap is a strategy to redefine the province's forestry sector with a goal to develop new markets and products that leverage the unique properties of wood fibre. Sustainable Resource Development is also working closely with Alberta Innovates-Technology Futures on forest product research and development to diversify products for both local and foreign markets.

In 2011-12, Alberta worked with neighbouring provinces and the forest industry to meet Asia's growing demand for wood products. Staff are exploring new market opportunities and building long-term relationships with delegates in Asia. Expanding exports of Alberta's wood products to Asian markets is expected to enhance the health of Alberta's forest sector and restore jobs in Alberta's forestry-dependent communities.

Biodiversity as an economic driver

Maintaining sustainable fish and wildlife populations across Alberta creates recreational activities such as hunting, fishing, trapping and ecotourism. The expenditures of anglers and hunters at small town cafes, motels, gas stations and other supplies and services is especially important to Alberta's rural economy. In 2009, Sustainable Resource Development was one of several

partners in a study undertaken by the Hunting for Tomorrow Foundation to quantify the economic impact of these activities. The findings showed that in 2008, hunting and fishing activities generated over $800 million in economic activity for the Alberta economy.

Sales of more than 260,000 angling licences and more than 307,000 hunting licences generated $21.4 million across the province in 2011-12. There was a small positive trend in hunting and fishing interest as demonstrated by increases in both the number of youth anglers and hunters and increased participation in the issuer and online hunting draw application system. Participation in the hunting draw application system increased by more than 12 per cent over last year as more hunters took full advantage of the online draw application system offered on AlbertaRelm.com. Special licences, along with the draw system, have several benefits including improved hunter success, increased opportunity for harvesting, a better distribution of hunters and harvest, a more pleasant hunting experience and reduced disturbance of landowners. The system is a modified-random process that increases the priority level of an applicant each time that they apply and are unsuccessful for a particular licence.

Despite positive trends in fishing and hunting participation rates amongst Albertans, including those under 18 years of age, these increases did not always meet performance measure targets. The decision to purchase a fishing or a hunting licence is influenced by a number of external factors such as weather and economic conditions.

Wildlife can impact agricultural producers directly through losses associated with livestock predation or ungulate damage to livestock feed. Alberta's Wildlife Predator Compensation Program compensates agricultural producers for financial losses caused by wildlife predation on livestock and veterinary treatment of livestock injured as a result of predator attack. This compensation program is administered by the Alberta Conservation Association through the sale of hunting licences. In 2011, Fish and Wildlife Officers investigated 254 claims of wildlife predation on livestock, resulting in compensation of just over $268,000 being awarded to producers. Sustainable Resource Development delivers the Ungulate Damage Prevention Program to assist producers in protecting their feed stores by providing scaring devices, repellents, temporary fencing, intercept feeding and permanent barrier fencing.

Working with boards, delegated administrative organizations and stakeholder organizations

Sustainable Resource Development works with a number of boards, delegated administrative organizations and stakeholder organizations to achieve the Ministry's mission. Each organization has a unique governance structure to enable them to achieve their mandate and objectives, while remaining accountable to the people of Alberta.

2011-12 was a busy year for the Natural Resources Conservation Board (NRCB), Surface Rights Board (SRB) and Land Compensation Board (LCB). The NRCB was awarded a Gold Premier's Award of Excellence and an Excellence Canada Award of Merit for its groundwater protection program under the *Agricultural Operation Practices Act*. The NRCB also participated in the review of the environmental impact assessment prepared by Parsons Creek Aggregates to construct a proposed limestone quarry near Fort McMurray; completed the permit amendments begun under the groundwater program in 2010-11; and fully implemented its risk-based compliance program, conducting onsite risk assessments at 70 of the 172 operations that meet the criteria for the program. In 2011 the SRB received 1,141 new applications, as well as conducted 445 pre-

hearing dispute resolution conferences, 81 mediations and 201 hearings. The LCB received 36 new applications and conducted 61 proceedings in 2011. The dispute resolution process, which was crucial to the expeditious and efficient resolution of applications by the SRB and LCB, encourages parties to use mediation to resolve disputes that come before the Boards.

The Ministry delegates administration for certain legislative responsibilities to three delegated administrative organizations (DAOs). DAOs operate at arms-length from government and must report annually to the minister on progress and finances. DAOs perform day-to-day operations and are self-funded, raising revenue through fees and service charges. The Alberta Conservation Association enhances fish and wildlife populations and habitat in Alberta through activities such as conservation projects, population studies and inventories, fish stocking and conservation grant funding. The Alberta Professional Outfitters Society delivers a variety of programs and initiatives that promote hunting, outfitting and guiding services, which includes a commitment towards maintaining industry standards and ethics. The Forest Resource Improvement Association of Alberta (FRIAA) promotes and initiates projects that enhance Alberta's forest resources or improve the management of forest resources on public lands through delivery of the Forest Resource Improvement Program, the Community Reforestation Program, the Wildfire Reclamation Program (WRP), and the Mountain Pine Beetle Program.

In 2011-12, Sustainable Resource Development granted $4 million to FRIAA for a variety of mountain pine beetle projects. Sustainable Resource Development also supported the WRP with a grant of more than $19.6 million to reforest over 12,000 hectares of previously harvested and reforested land, that was destroyed by wildfire in 2011-12.

GOAL 2

Alberta's public lands, forests, fish and wildlife are managed to provide biodiversity benefits

Results:

Increased participation of all users in management processes

Initiatives such as the Alberta Rangeland Health Task Group and Cumulative Environmental Management Association provide the tools and processes needed to manage the trade-off between economic and environmental outcomes. As Alberta's land manager, Sustainable Resource Development provides the framework to guide environmental management and reclamation by all those who use the land base. The Ministry works collaboratively with the Reclamation Criteria Advisory Committee to develop reclamation related policies, standards and guidelines. The 2010 Reclamation Criteria, which are intended to evaluate whether land function and operability is comparable to the surrounding area or another appropriate reference, have been implemented. Reclamation criteria were completed for cultivated lands, native grasslands and forested lands. Criteria are still under development for peat lands.

Through the Integrated Land Management (ILM) Program, Sustainable Resource Development developed the Shared Footprint Award in 2010 to recognize and reward initiatives that reduce the impact of activities on land and related natural resources. The ILM Shared Footprint Award is delivered annually in partnership with the Emerald Awards Foundation. In 2011, this award was given to the Bighorn Backcountry Monitoring Group Standing Committee. With the help of volunteer stewards, the group developed a connected trail system, installed bridges to prevent

damage to creek beds, improved camping and staging areas to accommodate more users and re-routed users to different trails when conditions were wet.

The Buffalo Lake Integrated Shoreland Management Plan is an example of a targeted plan that helps manage the impacts of recreational activities on biodiversity. The plan will help manage human activities and maintain biodiversity to safeguard the strip of public land surrounding Buffalo Lake in central Alberta. It gives landowners, residents, municipalities and the government clear direction on what activities can and cannot occur on the public land and within the first 100 metres of the lake.

Using science-based information to inform management decisions, policy development and to develop best practices

Science informs the development and implementation of Sustainable Resource Development policies and processes. Whether undertaken directly or in partnership with other Ministries and organizations, Sustainable Resource Development ensures that decisions are based on the best available information. Key partners include the Alberta Biodiversity Monitoring Institute (ABMI), the Cumulative Environmental Management Association (CEMA) and the Foothills Research Institute (FRI).

ABMI's comprehensive biodiversity monitoring program informs the Government of Alberta about landscape-level health. The arms-length from government institute provides a consistent, province-wide monitoring program that reports on species, habitat and human activity across the province. The Institute provides baseline conditions, indicators and coefficients for scenario modeling during the regional planning process and biodiversity trend information once plans are in place. In August 2011, the Institute released a status report on biodiversity in the South Saskatchewan Region. In February 2012, Alberta and Canada announced an integrated environmental monitoring program for the oil sands region; ABMI monitoring information will serve as a foundation for the biodiversity component of that integrated plan.

CEMA is a multi-stakeholder society that makes recommendations to government regulators about how to manage the cumulative environmental effects of regional development on air, land, water and biodiversity. CEMA membership is comprised of First Nations and Métis Groups; municipal, provincial and federal governments; environmental advocacy groups; educational institutions; and mining and in-situ oil sands operators. It coordinates world class research through its working groups on land, air, water and reclamation. CEMA has delivered over 10 major management frameworks on ozone, acid deposition, trace metals, nitrogen, ecosystems and water. Recommendations were submitted and accepted by the Government of Alberta in 2011 on "Best Management Practices for Conservation of Reclamation Materials in the Mineable Oil Sands Region of Alberta," "Data Collection Field Protocols – Alberta Regeneration Standards for the Mineable Oil Sands" and "Developing Baseline Site Index Estimates for the Ecosite Area Summary Table."

The importance of science-based information will increase as Alberta addresses the challenging issues of water management, species at risk and land-use planning. The Alberta Land-use Knowledge Network was launched in June 2011 as a way to share knowledge and information and begin to solve some of the more complex resource management problems facing Albertans today. The network will connect researchers, scientists, policy-makers, planners, practitioners and organizations to leading-edge land-use ideas, information and expertise to support their land-use

planning, practices and decision-making. Managed and supported by FRI, the network has played a key role in informing regional planning process and supporting policy development.

GeoDiscover Alberta has become a main source and access point for geospatial information for the Alberta government. Its public portal provides access to more than 1,300 layers of data and services for use in policy development, planning, management and decision-making. GeoDiscover continues to provide integrated geographic information to key initiatives such as regional plan development, the Regulatory Enhancement Project, the Cumulative Effects Management System, Water for Life, along with Advanced Education and Technology's Integrated Resource Management. As well, the program champions collaborative acquisition efforts such as the Alberta Geospatial Imagery Cooperative and the Alberta Road Network. With the creation of the process and business models around these concepts, the Alberta government will be able to apply these models to other datasets to create a true foundation of data services for provincial stakeholders.

Sustainable Resource Development also runs a number of other initiatives, either directly or in partnership with other organizations, to provide landscape planning tools. Targeted monitoring provides the information needed to support local/species specific management. In 2011-12, Sustainable Resource Development launched the Southwest Alberta Grizzly Bear Monitoring Project to monitor grizzly bear populations in a way that is cost-effective, non-invasive and uses the knowledge of people living in the area.

Established in 2009, the Fish Sustainability Index (FSI) reports on the status and risk of fish species in Alberta in support of fisheries management. Over the past year, there was considerable effort in the field to collect and compile information for the arctic grayling index, the first species to undergo this type of data analysis. This process covered several fisheries management areas and resulted in a number of field programs evaluating the ages and lengths of fish, along with habitat-related threats and the density of adults and juveniles of the species. In addition, Sustainable Resource Development worked to refine the FSI, using it to inform the development of the 2012-2016 Fish Conservation and Management Strategy. Expected to be released in 2012, this strategy is intended to improve fisheries management in Alberta through science, consultation, data collection and fish management that supports allocation of fish stocks.

Sustainable Resource Development actively monitors species at risk and develops and implements recovery and conservation management plans to mitigate impacts of various threats to these species. The multi-stakeholder Endangered Species Conservation Committee (ESCC) advises the Minister on issues related to species at risk in Alberta. In 2011-12, the Committee recommended four adjustments to species status designations that are currently under review. Sustainable Resource Development made significant progress in preparing recovery plans for Endangered and Threatened species; the ESCC reviewed five of these recovery plans and forwarded the plans to the Minister for approval. Conservation management plans were also developed for two Species of Special Concern – Weidemeyer's admiral and bull trout.

The Woodland Caribou Policy was released in June 2011 to guide implementation plans for caribou ranges in an effort to maintain and restore habitat and carefully manage wildlife that may impact woodland caribou populations. This policy supplements the Alberta Woodland Caribou Recovery Plan that was approved in 2005.

A suite of recovery actions for the critically endangered sage-grouse was implemented in 2011-12. Some of the highlights include:

- Protective Notations (reservations) have been placed on all sage-grouse habitat.
- A mitigation approach is being implemented for industrial applications within sage-grouse habitat. Conservation and Development Zones define temporal and spatial constraints on the landscape to benefit sage-grouse while accommodating strategically planned and timed industrial activity.
- Initiated preliminary planning on a conservation offset pilot, focused on conversion of annual crop land to restore native prairie species and conservation of existing native prairie habitat,
- Nine female sage-grouse were relocated from northeast Montana to southeast Alberta to augment Alberta's sage-grouse population.

Sustainable Resource Development also worked with Alberta Tourism, Parks and Recreation to conduct tree health plot assessments for two endangered species of trees (whitebark and limber pine) and establish monitoring plots for regeneration efforts after prescribed burning. Whitebark and limber pine are both under threat primarily from an introduced fungus and climate change. Sustainable Resource Development is developing recovery plans for each species. Until the formal plans are completed, all industrial development, including timber harvest, must avoid these species. Surveys in the C5 Forest Management Unit identified healthy stands which appear disease resistant and cone collection was carried out by the Alberta Tree Improvement and Seed Centre.

Manage wildfire and promote community safety

Wildfire is part of Alberta's natural ecosystem. In a natural landscape, fire helps to maintain forest health. In an integrated landscape, wildfire management is essential to protect human life, communities, watersheds and sensitive soils, natural resources and infrastructure, ensure a sustainable timber supply, and manage forest pests and disease.

Managing the impact of wildfires in Alberta requires minimizing risk in advance of a fire and providing effective wildfire management in the event of a fire. Leading-edge technology is used to predict the weather, estimate wildfire growth and optimize resources so Sustainable Resource Development is best able to respond. The Ministry's wildfire management framework enables the Ministry to respond to wildfires through a regime that quickly detects, contains and suppresses wildfires within the Forest Protection Area (the portion of the province where the Ministry has the mandated authority to suppress and prevent wildfire) to minimize related losses.

The 2011 legislated fire season started on April 1 and ended October 31. Despite above-average snowfall in the winter of 2011, short-term extreme weather in the middle of May fanned some of the most destructive wildfires in Canada's history. During the 2011 wildfire season, Alberta recorded 1,139 wildfires that burned more than 800,000 hectares of forest. The area burned in 2011 was more than 10 times the five-year average (2006-2010). Typically, human activity causes about 60 per cent of Alberta's wildfires–only about 40 per cent of Alberta's wildfires are caused by lightning. In 2011, more than 80 per cent of the wildfires were human caused. The wildfires affected people's lives and communities; threatened or destroyed homes, other infrastructure and equipment; triggered evacuation orders or advisories, air quality warnings and road closures; burned forested land; and impacted various industries.

During the 2011 wildfire season, Sustainable Resource Development implemented a province-wide fire ban from May 18 to May 24–only the second time a province-wide fire ban has been implemented–and a fire ban in the Southern Rockies Area from August 25 to September 1. Fire bans are used to restrict the use of fire in areas of high hazard, to minimize the possibility of human-caused wildfires, and ensure people and equipment are ready to be deployed to larger wildfires when the resources are needed.

In mid-May 2011, very low humidity and sustained strong winds pushed the wildfire danger to extreme levels throughout much of central and northern Alberta. Between May 11 and 15, 189 wildfires ignited across the province, including 52 in the Lesser Slave Area. Three of the wildfires in the Lesser Slave Area were known as the Flat Top Complex; two of which damaged or destroyed more than 500 properties in the Town of Slave Lake and nearby communities of Poplar Estates, Canyon Creek and Widewater. These wildfires resulted in the second-largest insurable loss in Canadian history (more than $700 million). On May 20, 2011 helicopter pilot Jean-Luc Deba of Montreal passed away after his helicopter crashed into Lesser Slave Lake. At the time of the accident, Mr. Deba was working to suppress wildfires.

Due to the extraordinary nature of the Flat Top Complex, the Minister of Sustainable Resource Development established a four-member independent, external committee to review and provide a report on the Ministry's wildfire management program, with a focus on the Complex. The Committee met with Ministry staff, external wildfire experts and stakeholders and reviewed documentation on wildfire science (conditions and behaviour), operations, legislation, policy and procedures.

In addition to communities in the Lesser Slave Area, several other communities were threatened by out of control wildfires. These wildfires included the second-largest in Alberta's recorded history—the Richardson wildfire. This wildfire started about the same time as the Flat Top Complex, burned near the community of Fort MacKay and several oil sands facilities and was listed as extinguished eight months later. In May and June, 2011 firefighting resources were brought in from across Canada, the United States and Mexico, to bring the wildfires under control. On June 8, 2011 Sustainable Resource Development imported a Douglas DC-10 airtanker from the United States. This is one of the largest airtankers in the world and is capable of carrying 45,000 litres of firefighting retardant. The airtanker flew from Cold Lake air base to various wildfires in the province, including the Richardson wildfire, from June 8 until June 16.

The Ministry measures its success in managing wildfires by determining the percentage of fires contained within the first burning period (by 10 a.m. the day following assessment). The most successful way to fight wildfires is to respond quickly before they have a chance to spread. In the 2011 legislated wildfire season, Sustainable Resource Development contained 96.1 per cent of Alberta's wildfires within the first burning period. This result is slightly below the target of 97.7 per cent (the rolling average of the past five years' results). Of the 44 wildfires that missed the first burning period objective, 37 started between May 14 and 16 and threatened over 23 locations including communities, camps, worksites, parks, and wildfire lookouts. These fires were actioned based on the wildfire management priorities of human life, communities, watersheds and sensitive soils, natural resources and infrastructure.

Sustainable Resource Development received $107.4 million in its annual budget for wildfire preparedness in 2011 to cover wildfire prevention and detection and to retain (on-call) the necessary manpower, equipment and aircraft for immediate mobilization. The cost of actually fighting wildfires is added to Sustainable Resource Development's budget as needed through emergency funding because the Ministry cannot predict the severity of each wildfire season. Emergency funding is used to pay for wildfire response, while the base amount prepares for the wildfire season. In 2011, Treasury Board approved an additional $250 million in emergency funding to fight wildfires.

During the 2011 fire season, Sustainable Resource Development started using the social media sites Twitter and Facebook to get timely and accurate wildfire information out to the public. Together they have close to 25,000 followers. These sites proved an invaluable way to reach Albertans during the 2011 fire season. Information on wildfire status, smoke warnings and contacts for other agencies, such as Alberta Emergency Management Agency and Red Cross, were readily available.

The FireSmart Community Grant Program assists communities in reducing the risk of wildfire within their respective jurisdictions. In 2011-12, FireSmart Community Grants were awarded to 23 communities. In addition, the County of Grande Prairie received a grant allocation for FireSmart activities to reduce hazardous fuels associated with the mountain pine beetle infestation. A total of more than $1.2 million was allocated to the 24 communities. Program grants are used to develop vegetation management programs, FireSmart education programs, community plans and bylaws, along with cross-training initiatives to help prepare emergency responders from various agencies to respond to a wildfire.

Sustainable Resource Development also undertook a variety of other initiatives through FireSmart to assist communities and rural residents develop strategies and tactics to reduce the risk and impacts of wildfire. Sustainable Resource Development invested over $1 million on vegetation management activities to decrease the amount of flammable vegetation adjacent to communities.

In response to the devastating fires in 2011 in the Lesser Slave Area, the Government of Alberta allotted $20 million for FireSmart activities through the Lesser Slave Lake Regional Wildfire Recovery Initiative. FireSmart activities accomplished to date include hazard risk assessments, FireSmart education and public awareness initiatives, FireSmart vegetation management demonstration areas, 77 hectares of vegetation management activities, wildfire preparedness guides for communities in the Lesser Slave Lake Management Area and a wildfire mitigation strategy for the Town of Slave Lake and surrounding area.

Maintain forest health and manage infestations

Wildfire plays an important role in the natural life cycle of Alberta's forests and experienced wildfire managers continue to use prescribed fire to restore healthy forests. In 2011, for example, the Evan-Thomas Creek prescribed fire was successfully implemented near Kananaskis Village to protect communities and promote forest health. The Evan-Thomas prescribed fire created a fire break that will help protect nearby communities from the threat of wildfire, restore the diversity of vegetation in the area and improve and expand wildlife habitat. In total, Sustainable Resource Development completed more than 4,800 hectares of prescribed burns in 2011-12.

Six million hectares of pine trees in Alberta are susceptible to mountain pine beetle infestations. The death of these trees will impact the social, economic and environmental values of Alberta's forests. Sustainable Resource Development and forest industry are working together on mountain pine beetle infestation control and prevention, and have placed a priority on controlling beetle infestations and reducing the susceptibility of pine forests to future attacks.

More than $29 million was committed to the mountain pine beetle program in 2011-12 (includes mountain pine beetle and spruce budworm). These funds were used to conduct over-winter mortality, aerial and ground surveys, control treatments, research and inventory acquisition. Control treatments of more than 130,000 trees spanned the central part of the province from south of Grande Prairie east to the town of Slave Lake. The 2011-12 mountain pine beetle surveys show Alberta is making progress in its fight against mountain pine beetle infestations where active control is occurring. The number of mountain pine beetle-infested trees with a high risk of spread has decreased by 25 per cent from the previous year. In addition, Sustainable Resource Development has built-up pine seed inventories to re-establish pine in areas of high mountain pine beetle-induced pine mortality. In 2011-12, Alberta and Saskatchewan signed a multi-year agreement, to enable the two provinces to more effectively co-operate in mountain pine beetle management. In December 2011, Saskatchewan announced $150,000 in funding to support beetle control activities in Alberta for 2011-12.

Working closely with the University of New Brunswick, the Forestry Division produced wet areas maps for Alberta's forested landbase covering approximately 14 million hectares. This area coincides with the area for which Alberta has acquired LiDAR (Light Detection and Ranging) coverage and is at risk for mountain pine beetle infestation. Using wet areas maps for beetle-related operations was identified as a cost-effective approach to expediting road construction for beetle control work, while conserving critical hydrological resources. Research conducted during the summer of 2011 also revealed that wet areas mapping provided a superior planning tool for pipeline and energy infrastructure placement and in the cleanup of oil spills.

Forestry Division was proud to organize a 2-day LiDAR workshop in Edmonton during March of 2012. The workshop raised awareness of the potential of this emerging technology to address strategic issues facing the forestry and energy sectors in the areas of land and forest management. The workshop featured both national and international speakers and attracted some 300 attendees from the forestry and energy sectors.

Through the Alberta Mountain Pine Beetle ReLeaf program, 61 private landowners, one municipality and five residential holders in Alberta were able to replace trees lost to mountain pine beetle. This program is a partnership with Tree Canada and its corporate sponsors TELUS and Strive Energy. The Government of Alberta provided $60,000 and TELUS and Strive Energy donated $30,000 and $10,000 respectively. The majority of the participants in the program are from the Grande Prairie, Sexmith and Beaverlodge areas. The Town of Jasper was the only municipality that participated.

Sustainable Resource Development participates on the Alberta Invasive Plants Council, Alberta Weed Regulatory Advisory Committee, Interdepartmental Invasive Alien Species Working Group and regional weed cooperatives. During 2011-12, Sustainable Resource Development's work with municipalities on weed partnership projects focused on control of invasive weeds on vacant public lands and adjacent occupied lands. Ground surveys detected the occurrence of 15 noxious or prohibited noxious weed species in the Green Area of the province. Working with partners in

the Lower Athabasca Land Use Planning Region, nearly one tonne of weeds were hand-pulled and willow stakes were planted. This treatment is a long-term, ecological approach to weed management and is used in addition to herbicidal treatments.

The Ministry takes an active role in monitoring and managing wildlife diseases. In 2011-12 Sustainable Resource Development continued to monitor the spread of chronic wasting disease (CWD) in deer in eastern Alberta. CWD was detected in 33 of 3,194 tested animals. Data indicates that previous disease control programs reduced the rate at which CWD established in local populations. Since the suspension of disease control, CWD has steadily increased in prevalence and geographic distribution, including resurgence in areas where previous disease control had reduced its occurrence. Sustainable Resource Development will undertake an extensive program review and will prepare new recommendations for managing CWD in Alberta.

Alberta has seen growing wood bison populations and more human activity in the north. As bison populations increase, the risk of contact with other herds also increases. Additionally, with more human activity, including an increase in access routes, there is greater movement of wood bison. In 2011-12, Sustainable Resource Development worked closely with other Ministries and stakeholders to strengthen containment measures to reduce the risk of brucellosis and tuberculosis spreading from wood bison in the Wood Buffalo National Park area to livestock or healthy wood bison in northwest Alberta.

Promoting public safety

Promoting public safety by preventing and responding to human-bear conflict incidents is a priority for Sustainable Resource Development. The Alberta BearSmart Program is an important public awareness program for people visiting, living or working in bear territory across Alberta. In 2011, Sustainable Resource Development recorded more than 560 grizzly bear and almost 3,000 black bear-related occurrences; these occurrences could be anything from a wildlife sighting to a more serious incident involving an injury. Sustainable Resource Development staff captured and relocated 24 grizzly bears and 222 black bears. BearSmart also provides electric fencing, livestock carcass collection bins, bear-resistant garbage bins, diversionary feeding, removal of bear attractants such as fruit and vegetation, and aversive conditioning of bears. In May 2011, the Alberta BearSmart program manual was released, providing Sustainable Resource Development staff and stakeholders, as well as employees of other agencies, information on how to reduce human-bear conflicts and to reduce property damage caused by bears.

Monitoring compliance

Sustainable Resource Development has developed a comprehensive framework and integrated management system that guides land and resource management to balance economic objectives with biodiversity and quality of life objectives. Sustainable Resource Development is responsible for enforcing compliance with natural resource-based legislation under Sustainable Resource Development's mandate such as the *Public Lands Act*, *Forests Act*, *Forest and Prairie Protection Act* and their supporting regulations. Sustainable Resource Development is reviewing its approach to a compliance and enforcement framework/model to support changes that resulted, in part, from amendments to the *Forests Act* and *Public Lands Act* in 2010 and the 2011 coming into force of the Public Lands Administration Regulation.

As part of the regulatory alignment project, Sustainable Resource Development worked collaboratively with the Energy Resources Conservation Board (ERCB) and Alberta Environment and Water (AEW) to develop a process for conducting joint inspections on facilities where approvals were issued under several different statutes. This enabled improved efficiency and effectiveness of staff when conducting inspections and also reduced duplicated work when industry prepares for these intensive inspections. This collaborative approach used the existing annual inspection programs from each agency and identified where joint inspection opportunities existed. It also provided the opportunity for greater collaboration amongst the regulatory staff.

In addition, illustrated guides were developed to help inspectors identify observable non-compliance events relating to the mandate and legislation of another agency when conducting inspections for their own agency. Such events include those that can easily be seen to be in non-compliance by staff, such as active soil erosion on access roads where gullies or rills are seen or exposed pipelines where soil has eroded away from the pipe. Thirty seven of these events were found during inspections by other regulators. These non-compliance observations are reported into a common database for follow-up by the designated regulator who then takes appropriate compliance and enforcement actions in accordance with their specific legislative authority and mandate. Staff from ERCB, AEW, and Sustainable Resource Development across Alberta received training in these new processes and a website was created to update and maintain the information.

The Land Management Inspection Program (LMIP) is a provincial priority-based inspection system. It sets Ministry direction for inspections on industrial, recreational and commercial dispositions, and responds to concerns on non-disposed Crown land to evaluate adherence to approval conditions and commitments. The LMIP contributes to the Ministry's approach of compliance assurance and enables coordinated planning and delivery of inspections. Through LMIP, the Ministry works closely with disposition holders to ensure compliance.

Sustainable Resource Development also works with grazing leaseholders to ensure their dispositions are in good standing. Sustainable Resource Development's performance measure for rangeland sustainability from 2010-2011 (this performance measure lags one year) was 84%, which is under the 90% established target. One of Sustainable Resource Development's main compliance responses is a short-term renewal which results in leases already identified as non-compliant coming back into the renewal cycle at a shorter interval than ten years. Having these leases included in the performance measure while compliance action is ongoing inflates the overall number of non-compliant leases.

The Forest Operations Monitoring Program (FOMP) standardizes how Sustainable Resource Development's inspections of active timber harvesting and reforestation activities are conducted including internal audit requirements and enforcement provisions. FOMP consists of two main components: Forest Operations Monitoring and Silviculture-ARIS Monitoring. In 2009, FOMP was awarded the International Organization for Standardization (ISO) 9001 certification and was recently recertified for an additional three years. In 2011-12, nearly 2,400 FOMP inspections were completed.

The Ministry continues to address recommendations from the Office of the Auditor General (OAG) dealing with public reporting reforestation performance information. Early in 2012, the OAG began an audit of the Ministry's response to this recommendation. Two new performance measures have been reported upon, namely the rate of forest regrowth and industry compliance

with forestry standards. These two measures explicitly report on the success of the reforestation effort relative to the mandated standard and document the level of compliance of the forest industry to regulatory requirements. FOMP provides a third-party, certified system of validating the data underpinning these measures, as well as ensures forest industry operations are monitored to a consistently high standard.

The requirement for an integrated compliance and enforcement framework/model is further supported by the 2011-2012 transfer of responsibility for enforcing the *Wildlife Act* and the *Fisheries (Alberta) Act* from Sustainable Resource Development to the Ministry of Solicitor General and Public Security. The two ministries have established a Memorandum of Understanding to clarify roles, responsibilities and the transfer of administration, equipment and budget.

The primary responsibility for ensuring compliance with natural resource-based legislation such as the *Public Lands Act, Forests Act, Forest and Prairie Protection Act* and their supporting regulations remains with Sustainable Resource Development. Officers of Sustainable Resource Development play an important role in education and prevention, and apply a balanced approach toward the management and use of public land and natural resources. However, when non-compliance occurs and a response is warranted, Sustainable Resource Development is committed to having a compliance framework and tools in place to appropriately and credibly respond.

GOAL 3

Alberta's public lands, forests, fish and wildlife enrich Albertans' quality of life

Developing and implementing regional plans

Alberta's Land-use Framework provides the overall context to help make decisions to address land management pressures. The Framework created seven land-use regions and land-use plans will be developed to reflect unique geography and priorities of each region. Regional plans will integrate provincial policies at the regional level, set out land-use objectives and provide the context for land-use decision-making. Sustainable Resource Development is committed to public, stakeholder and Aboriginal consultation throughout the process.

A number of actions were taken in 2011-12 to improve legislation supporting land-use planning and management. In response to concerns raised by landowners, the *Alberta Land Stewardship Act* (ALSA) was amended in May 2011 to clarify that the Act does not limit any existing rights to compensation, respects all existing appeal provisions in Alberta legislation and does not include land titles and freehold mineral rights within the definition of statutory consents. The amendments also include a clear statement that government must respect the property and other rights of individuals.

The Alberta Land Stewardship Regulation under ALSA was implemented in August 2011 to provide clear rules for Albertans who might be affected by regional plans. The regulation guides Albertans who may want to ask for a review of a regional plan if they believe they have been directly and adversely affected by a plan, request a variance (exception) to a plan, or apply for compensation if they believe they have been subject to a compensable taking.

In 2011-12, Sustainable Resource Development worked on the first three regional plans in Lower Athabasca, South Saskatchewan and North Saskatchewan. A final draft of the Lower Athabasca Regional Plan (LARP) was released in August 2011 and is waiting Cabinet approval. This draft reflects phase three consultations that included a series of open houses, workshops and meetings held with the public, stakeholders and municipalities. Approximately 460 people attended open houses and 320 representatives of various stakeholder groups and municipalities attended workshops. All Albertans were encouraged to review the draft plan and provide their feedback through a workbook. Government received a total of 468 workbook submissions, as well as 73 written submissions. First Nations and Métis consultation and engagement has been an important part of the regional plan development over the entire planning process. A total of 107 meetings were held with 21 First Nations and nine Métis groups.

Sustainable Resource Development's performance measure target of one regional plan being approved by Cabinet within 2011-12 was not achieved. Although a final draft of the LARP was released in August 2011 and is waiting Cabinet approval, the regional planning process under the Land-use Framework is complex and involves many steps. The Alberta government needs to ensure that the approved final plan will achieve its economic, environmental and social outcomes described and that it prudently sets the framework by which forthcoming plans will be developed and approved.

The South Saskatchewan Regional Advisory Council (RAC) completed its work in early 2011 and submitted its advice to government for development of the South Saskatchewan Regional Plan. RAC's advice to government and an accompanying workbook were released in April 2011, which initiated phase two consultation on the regional plan.

Preparatory work for the North Saskatchewan Regional Plan also started in 2011 with the development of a regional profile and terms of reference. Base case scenario modeling was also initiated to develop background information for the North Saskatchewan RAC, expected to be formed in 2012.

Integrate ministry business to support the Land-use Framework

SRD has worked extensively with other government ministries in support of a coordinated and consistent land-use planning approach to ensure the needs of individuals and communities across Alberta can be realized. The Land-use Framework seeks to ensure the long-term sustainability of Alberta's natural land base and harness the full value of provincial resources. Once a regional plan has been developed, SRD and other government departments need to turn the plan into action. Beginning in Northeast Alberta, SRD will apply an integrated management approach to develop landscape plans at a sub-regional level with resulting integrated watershed-based management guidance serving as a model for other regions of the province where SRD has land-use responsibilities. These landscape plans will manage development impacts on biodiversity and a biodiversity framework will be implemented to set objectives for key biodiversity indicators.

In 2011, SRD created the organizational structures required to implement regional plans as they are developed and approved. SRD's Aboriginal Consultation Unit merged with the Aboriginal Consultation Units in the Ministries of Energy, and Environment and Water to form the Sustainable Resource and Environmental Management (SREM) Aboriginal Affairs Branch (SAAB). SAAB is housed within Environment and Water and the branch's purpose is to improve the efficiency, effectiveness and consistency of Aboriginal relations, consultation and engagement. SRD receives extensive support from SAAB to guide Ministry engagement activities with all aboriginal communities located in the province. SRD staff has been engaged on specific

land-use planning efforts related to the oil sands sector (in partnership with industry), the recreation sector (in partnership with public land users and other government ministries) and the tourism sector (in partnership with public land leaseholders and other government ministries).

Managing the forest to increase forest community sustainability

More than 50 communities in Alberta look to the forest industry for their livelihoods. Maintaining a diversified age structure is an important element to mitigate the risk of an extreme wildfire event or severe insect or disease infestations. Timber harvesting is one tool used to manage forests and maintain or improve forest health. Planned forest management activities maintain healthy and resilient forests and provide a wide variety of products and services for Albertans. Sustainable Resource Development works with the forest industry to plan and approve their forest operations.

Forest Management Plans (FMPs) present strategic harvest designs, reforestation tactics and management objectives for sustaining healthy forests, forest products and other environmental, social and economic values such as high-quality watersheds, functional wildlife habitat and recreation opportunities. Planning decisions are made using information gained through public, First Nations and stakeholder consultation.

FMPs are updated at regular intervals, generally every 10 years; however, when significant natural disturbances occur (e.g. wildfire, insect, disease outbreaks), FMPs are updated to capture the change in the forest resource. In 2011-12, the Ministry approved the Weyerhaeuser Grande Prairie FMP as well as the Timber Supply Analysis for the S10 Forest Management Unit (FMU) in the Lesser Slave Management Area. Sustainable Resource Development also conducted fire impact estimates to determine the impact of the 2011 wildfire season on the Annual Allowable Cut and this will be adjusted in five FMUs as a result.

Sustainable Resource Development measures the rate of forest regrowth following timber harvest to ensure sustainability of our forest resources. Reforestation is required by law and adherence to Alberta's regeneration standards provides assurance of the continued flow of economic, social and environmental values that Albertans can expect from their forests. For the 2010-11 timber years, 96.3 per cent of the targeted forest regrowth was attained, exceeding the 80 per cent level targeted. Forest regrowth rates have exceeded the 80 per cent target measure largely due to effective silvicultural practices. A future review of Alberta's regeneration standards and reforestation success may determine whether updates to the regeneration standards are warranted.

Increasing Albertans' knowledge and understanding of the province's natural resources

Increasing Albertans' knowledge and understanding the province's natural resources can help make all Albertan's better stewards of those resources. Bow Habitat Station (BHS) fosters awareness, appreciation and responsible use of Alberta's fish, wildlife and water resources. In 2011-12, over 10,000 people visited the BHS-Discovery Centre and Fish Hatchery in Calgary and close to 20,000 people attended community outreach initiatives with BHS presence. The Kids Can Catch Trout Pond, a new feature completed in 2011, aims to educate and inspire young people to fish, as well as provide a natural area for individuals of all ages to enjoy. In Alberta classrooms, 1,500 students participated in the provincially delivered Fish in Schools program, allowing students to raise and release fish into provincially approved water bodies. Sustainable Resource Development also hosted several special days throughout the year to provide Albertans the opportunity to learn about hunting and fishing including provincial hunting day, free fishing weekends, waterfowler heritage days and national wildlife week.

Many Albertans cast their first line into a trout pond or mountain stream under the watchful eye of a parent or grandparent. Chances are they learned to love that spot and the day they caught (and released) their first fish became a favourite memory. It may not have registered at the time but they were also learning about conservation and stewardship – and likely thinking that one day they would be back with their own child to start another tradition.

The BHS inspires young people to fish and to one day find that special spot. Part of its mandate is to increase Albertan's knowledge, understanding and engagement with the province's natural resources. It also supports goal three – *Alberta's public lands, forests, fish and wildlife enrich Albertan's quality of life.*

Sustainable Resource Development provides Albertans with information about Ministry programs, sustainable management and responsible use of Alberta's natural resources through its Public Outreach and Web Services section. In 2011-12, Edmonton's Sustainable Resource Development Information Centre responded to more than 12,000 inquiries from Albertans related to the Ministry's programs and services. Through a partnership with Inside Education, nearly 1,200 Calgary students visited the Jumpingpound demonstration forest to learn about stewardship and integrated land management practices. Sustainable Resource Development's Long Lake Outdoor Education Centre provided the opportunity for more than 800 users from organizations such as the Junior Forest Wardens, Scouts, Guides and post-secondary institutions to deliver multi-day learning and wilderness opportunities.

Sustainable Resource Development also uses technology to connect with Albertans. In 2011-12, there were over 2.8 million visits to the suite of websites that Sustainable Resource Development manages and maintains; an increase of approximately 300,000 visits from the previous year. This included more than 1.7 million to the main srd.alberta.ca website and more than 338,000 visitors who learned about outdoor pursuits via mywildalberta.ca. Other websites maintained by Sustainable Resource Development include AlbertaRelm.com, Mpb.Alberta.ca, AlbertaFirebans.ca, Landuse.Alberta.ca and Geodiscoveralberta.ca.

Sustainable Resource Development worked with different partners and stakeholders in 2011-12 to develop a number of publications, including the Wildfire Mitigation Strategy and Preparedness Guide, the FireSmart Guidebook for Community Protection, and the FireSmart Farm and Acreage magazine. A mock wildfire table top exercise in the Upper Hay Area was conducted with various Sustainable Resource Development partners. This is one of Sustainable Resource Development's education and preparedness tools. Through this simulated emergency, agencies became familiar with their respective roles and responsibilities and gained a greater understanding of the emergency response process. With these training tools, we and community partners are better prepared for emergencies.

To provide Albertan's with the ability to enjoy the province's resources, the special walleye harvest licences in 2011-12 were reviewed and modified. Several lakes continue to use the program with minor adjustments to the size categories and number of tags available to anglers. The lakes that cannot support any harvest of walleye have been dropped to a zero limit for 2012. Reviews and modifications have provided sportfish harvest opportunities while maintaining sustainability of Walleye stocks for lakes which are vulnerable to overharvest because of angling pressure.

Sustainable Resource Development works with several organizations for public outreach and education. The Ministry is a founding and sustaining member of Cows and Fish which, in 2011-12, delivered riparian conservation messages to over 4,800 people, including grazing lease holders, agricultural producers, lakeshore residents, youth, conservation groups, natural resource managers and the public. Sustainable Resource Development also gives annual grants to the Alberta Trappers Association for the delivery of a trapper education program and to the WISE Foundation to deliver conservation and hunter education programs. In 2011, the Alberta Hunter Education Instructors Association (the delivery arm of the WISE Foundation) delivered conservation education programs to about 65,000 Albertans, provided hands-on fishing, outdoor and firearms education to approximately 10,000 students and certified 30,000 Albertans in safe and responsible firearms use.

In 2011, 69 youth between the ages of 16 and 18 participated in the Alberta Junior Forest Ranger and Alberta Aboriginal Junior Forest Ranger programs. A total of nine crews, located throughout the province, completed seven weeks of natural resource-related field work. Trail maintenance on the Upper Saskatchewan Prescribed Burn Trail, brush clearing at the Weberville Community Forest, weed eradication at the Helen Schuler Nature Centre and trail clearing and sign installation at the Mountain Park Cemetery are just a few examples of the completed work projects in 2011.

Developing a Provincial Recreation Management Strategy

As public land and resource manager, Sustainable Resource Development recognizes that Alberta's natural resources provide important benefits to Albertans and visitors. Growing populations place more demand for recreational services on the land base, increasing the risk of conflict amongst resources users. As a result of regional plans under the Land-use Framework, there have been some changes in the designation of land bases, with movement between public land, parks and conservation areas. This may change the nature of how certain land bases can be used and the requirements for the Government of Alberta to manage land use and monitor compliance.

Sustainable Resource Development is working closely with Tourism, Parks and Recreation (TPR) and other partners to establish management systems that better align recreation and tourism opportunities with current and anticipated demands. In 2011-12, Sustainable Resource Development worked with TPR to develop the Recreation and Tourism Management Strategy, including advice provided on the draft *Recreation Trails Act* and collaborated on establishing a Trails Delegated Administrative Organization for management of provincial trails. This also built on work initiated under the Alberta Recreation Corridors and Coordinating Committee. Sustainable Resource Development's role includes making appropriate public land available to support development and implementation of a Provincial Trails System while ensuring the allocation process is aligned with other land uses and takes advantage of tools, mechanisms and approaches available under other policy and legislation, such as the *Public Lands Act* and regional plans.

Ministry Key Statistics 2011-12

Forestry*	
Wildfires from April 1 to October 31, 2011 (fire season)	
Area burned by wildfires	>800 thousand ha
Area with prescribed burns	> 4.8 thousand ha
Amount committed to mountain pine beetle management (includes mountain pine beetle and spruce budworm)	$29.4 million
Number of sites surveyed for mountain pine beetle	7.9 thousand sites
Trees controlled	>130 thousand trees
Reforestation information from May 1, 2010 to April 30, 2011(timber year)	
Total area reforested**	73.7 thousand ha
Number of planted seedlings	66 million trees

Lands*	**Number**	**Area**
Active dispositions	256.7 thousand	3.3 million ha
Applications received	12.1 thousand	91.5 thousand ha
Approvals	17.2 thousand	91.8 thousand ha
Renewals	1.5 thousand	10.3 thousand ha
Cancellations	2.8 thousand	50.7 thousand ha
Public land sales	38***	2 thousand ha
Amount received for sales	$4.4 million	
MacKenzie Land Sales	431***	26.8 thousand ha
Amount received for sales	$21.3 million	
Southland land sales	1***	0.8 thousand ha
Amount received for sales	$35.0 million	

Fish and Wildlife*	
Sport fishing licences sold	262.8 thousand
Hunting licences sold	307.8 thousand
Licenced hunters	115.5 thousand
Trout stocking	2.6 million
Walleye Fry stocking	27.8 million

* All reported figures are approximate.

** Includes the area left for nature to reforest.

*** Reported figures are actual.

Natural Resources Conservation Board (NRCB)*	**2011-12**
AOPA applications received	137
AOPA permits issued	104
Number of complaints received	590 complaints (involving 236 operations)
Enforcement orders issued	1
Requests for board review of approval officer decisions under AOPA	8
Number of files under AOPA for which board reviews were requested	4
Board reviews completed under AOPA	2
Board reviews completed under the NRCBA	0

Surface Rights Board (SRB)*†	
Total applications received	1141
Applications resolved	888

Land Compensation Board (LCB)*†	
Applications for determination of compensation and notices of motion	36
Hearings, dispute resolution conferences and mediations	61

* For additional information regarding the NRCB, SRB and LCB please refer to the board's websites:
www.nrcb.gov.ab.ca/
www.srblcb.gov.ab.ca

† Statistics reported by 2011 calendar year.

AOPA - *Agricultural Operation Practices Act*
NRCBA - *Natural Resources Conservation Board Act*

Expense by Government Function

Ministry of Sustainable Resource Development
For the Year Ended March 31, 2012
(in millions)

	2011-12		2010-11
	Budget	**Actual**	**Actual**
Agriculture, Resource Management, and Economic Development	$ 161.6	$ 197.0	$ 210.0
Protection of Persons and Property	107.6	347.9	201.5
Environment	26.6	19.0	15.8
Total	$ 295.8	$ 563.9	$ 427.3

The Ministry's expenses by government function are outlined above. Although 54.6 per cent of the budget was allocated in the Agriculture, Resource Management and Economic Development function, the fire season caused 61.8 per cent of actual gross expenses to be incurred in the Protection of Persons and Property function

AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Sustainable Resource Development, which comprise the consolidated statement of financial position as at March 31, 2012 and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Sustainable Resource Development as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by Merwan N. Saher, FCA

Auditor General

June 4, 2012

Edmonton, Alberta

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
			(Notes 3, 4 & 15)
		(in thousands)	
Revenues (Note 2b)			
Transfers from the Government of Canada	$ 25,370	$ 43,027	$ 48,751
Investment Income	1,531	1,266	913
Premiums, Fees and Licences	111,464	117,180	114,187
Other Revenue	25,212	87,164	33,382
	163,577	248,637	197,233
Expenses – Directly Incurred (Note 2b and Schedule 3)			
Ministry Support Services	35,855	31,030	30,023
Forestry	146,273	416,897	273,987
Land Use Secretariat	6,600	6,600	12,982
Lands	56,995	62,890	63,818
Fish and Wildlife	38,765	36,415	36,663
Quasi-judicial Land-use and Compensation Decisions	8,888	9,261	9,056
Environment Statutory Programs	2,374	803	724
	295,750	563,896	427,253
Net Operating Results	$ (132,173)	$ (315,259)	$ (230,020)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2012

	2012	2011 (Note 3, 4 & 15)
	(in thousands)	
Assets		
Cash and Cash Equivalents (Note 5)	$ 203,820	$ 184,414
Accounts Receivable (Note 6)	29,583	52,779
Inventories	4,429	3,917
Tangible Capital Assets (Note 4 and 7)	293,532	288,823
	$ 531,364	$ 529,933
Liabilities		
Accounts Payable and Accrued Liabilities (Note 8)	$ 60,677	$ 58,418
Unearned Revenue (Note 9)	48,012	46,969
	108,689	105,387
Net Assets		
Net Assets at Beginning of Year (Note 3 and 4)	424,546	385,100
Net Operating Results	(315,259)	(230,020)
Net Financing Provided from General Revenues	313,388	269,466
Net Assets at End of Year (Note 3 and 4)	422,675	424,546
	$ 531,364	$ 529,933

Contractual obligations and contingent liabilities (Notes 10 and 11)

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2012

	2012	2011 (Note 3, 4 & 15)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (315,259)	$ (230,020)
Non-cash items included in Net Operating Results		
Amortization	8,438	8,224
(Gain) Loss on Disposal of Tangible Capital Assets	(10,106)	(13,436)
Nominal Sum Disposals	10,106	13,449
	(306,821)	(221,783)
(Increase) Decrease in Accounts Receivable	23,196	(7,210)
(Increase) Decrease in Inventories	(512)	(41)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	2,259	(7,732)
Increase (Decrease) in Unearned Revenue	1,043	9,143
Cash Provided by (Applied to) Operating Transactions	(280,835)	(227,623)
Capital Transactions		
Acquisition of Tangible Capital Assets	(13,737)	(19,022)
Proceeds on Disposal/Sale of Tangible Capital Assets	3	1
Transfer of Tangible Capital Assets to Other Government Entities	10	752
Cash (Applied to) Provided by Capital Transactions	(13,724)	(18,269)
Financing Transactions		
Net Financing Provided from General Revenues	313,388	269,466
Impact of restatement	577	568
Cash Provided by (Applied to) Financing Transactions	313,965	270,034
Decrease (Increase) in Cash and Cash Equivalents	19,406	24,142
Cash and Cash Equivalents at Beginning of Year	184,414	160,272
Cash and Cash Equivalents at End of Year	$ 203,820	$ 184,414

The accompanying notes and schedules are part of these financial statements.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 AUTHORITY AND PURPOSE

The Ministry of Sustainable Resource Development (the Ministry) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Ministry also operates under the authority of the following acts:

Organization	Authority
The Department of Sustainable Resource Development	*Boundary Surveys Act* *Wildlife Act* *Fisheries (Alberta) Act* *Forests Act* *Forest and Prairie Protection Act* *Forest Reserves Act* *Mines and Minerals Act* *Public Lands Act* *Surveys Act*
Environmental Protection and Enhancement Fund	*Environmental Protection and Enhancement Act*
Land Stewardship Fund	*Public Lands Act*
Natural Resources Conservation Board	*Natural Resources Conservation Board Act*
Surface Rights Board	*Surface Rights Act*
Land Compensation Board	*Expropriation Act*

The goals of the Ministry's core businesses are:

Forestry - The Ministry provides leadership and guidance to ensure the multiple benefits received from the Province's forests are realized by using the best possible forest management, wildfire management and forest industry practices.

Land Use Secretariat – The Land Use Secretariat facilitates the development of regional plans that provide a blueprint for land-use management and decision-making that addresses Alberta's growth pressures. Alberta's Land-use Framework provides clear direction for managing land, air, water and biodiversity, and is based on economic, environmental and social outcomes that guide planning, decision-making, and management of land and natural resources in regions.

Lands – The Ministry manages the demands of multiple stakeholders using Alberta's public land by integrating planning and management best practices to sustain the benefits Albertans receive from their natural resources and public lands.

Fish and Wildlife – The Ministry manages fish and wildlife species based on the best available science and integrated decision-making processes. The sound stewardship of fish and wildlife resources facilitates consumptive (fishing and hunting) and non-consumptive recreation opportunities compatible with healthy and diverse fish and wildlife populations.

Quasi-judicial Land-use and Compensation Decisions – Reporting to the Minister of Sustainable Resource Development, the Ministry's three quasi-judicial boards make their decisions independently, in accordance with their own governing legislation. The **Natural Resources Conservation Board** conducts independent public reviews of projects that may affect natural resources of Alberta and also regulates new or expanding confined feeding operations. The **Surface Rights Board** conducts hearings when operators and landowners or occupants fail to agree on entry or compensation related to resource activity on privately owned lands or occupied public lands. The **Land Compensation Board** establishes compensation when private land is expropriated by a public authority for projects in the public interest.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Ministry of Sustainable Resource Development, for which the Minister of Sustainable Resource Development is accountable. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

These financial statements include activities of the Department of Sustainable Resource Development, the Environmental Protection and Enhancement Fund, the Natural Resources Conservation Board and the Land Stewardship Fund. The financial statements of the Department of Sustainable Resource Development include the activities of the Surface Rights and the Land Compensation Boards.

All ministries of the Government of Alberta operate within the General Revenue Fund (the "Fund"). The Fund is administered by the Minister of Finance and Enterprise. All cash receipts of ministries are deposited into the Fund and all cash disbursements made by ministries are paid from the Fund. Net Financing Provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on an accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the Ministry may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of the employer contributions for current services of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are not recognized and are disclosed in Schedule 2 and allocated to programs in Schedule 3.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Donated tangible capital assets are recorded at fair value at the time of contribution. Amortization is only charged if the asset is in use.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values for these physical assets less any nominal proceeds are recorded as grants in kind.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Environmental liabilities arise from the obligation to remediate contaminated sites. When the Ministry has incurred such liabilities, a liability is accrued based on management's best estimates. Where an environmental liability cannot be estimated, the nature of the liability and its potential effect on the Ministry's financial statements is disclosed. For fiscal year ended March 31, 2012, the Ministry has no environmental liabilities.

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Ministry operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments.

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Royalties and disturbance fees on dispositions, recorded as $3,577 in these financial statements, are subject to measurement uncertainty.

Some revenues are predicated on self-assessment where clients are expected to understand the terms of their lease or permit and comply with them. This could impact the completeness of the revenues from royalties and disturbance fees on dispositions when clients fail to comply with the lease, permit, or disposition requirements. The Ministry is in the process of enhancing systems and methods to validate amounts reported and ensure completeness of revenues. Regardless of system enhancements, procedures cannot identify all sources of unreported income from self assessed revenues. The Ministry does not estimate the amount of unreported royalties or disposition fees.

The provision for doubtful accounts, recorded as $1,919 in these financial statements, is based on the assumption that:

- 5% of the accounts receivable between 32 and 90 days
- 50% of the accounts receivable between 91 and 365 days, and
- 100% of the accounts receivable over 365 days

at March 31, 2012 will not be collected.

NOTE 3 GOVERNMENT REORGANIZATION

The Ministry of Sustainable Resource Development was affected as a result of restructuring of government ministries announced on October 12, 2011. Comparatives for 2011 have been restated as if the Ministry had always been assigned with its current responsibilities.

NOTE 4 RESTATEMENT

(in thousands)

In addition to the restatement for the government reorganization, prior year numbers have been restated due to changes in tangible capital assets.

Net assets (liabilities) at March 31, 2010 have been adjusted as follows:

Net assets (liabilities) as previously reported at March 31, 2010	$ 386,951	
Transfer of net assets to the Ministry of Solicitor General and Public Security	323	
Tangible Capital Asset restatement	(2,174)	
Net Assets (liabilities) restated at March 31, 2010		385,100
March 31, 2011 Operating Results	(254,321)	
Operating results restatement for transfer of expenses to Ministry of Solicitor General and Public Security	21,561	
Operating results restatement for reclassification of aircraft parts	2,740	
March 31, 2011 Restated Operating results		(230,020)
Net Financing provided from General Revenues as previously reported at March 31, 2011	291,027	
Net Financing restatement for transfer to Ministry of Solicitor General and Public Security	(21,561)	
Restated Net Financing provided from General Revenue at March 31, 2011		269,466
Net Assets (liabilities) at March 31, 2011		$ 424,546

Tangible Capital Assets have been restated as a result of:

- the transfer of assets to the Ministry of Solicitor General and Public Security,
- the sale of land in previous years where the land was not removed form the asset account, and
- a reclassification of aircraft parts from inventory to tangible capital assets.

Tangible Capital Assets as previously reported at March 31, 2010	$ 281,210
Decrease in tangible assets - Land	(2,174)
2010-11 Net Change in assets	8,534
Decrease in tangible capital assets (transfer to the Ministry of Solicitor General and Public Security)	(1,487)
Increase as a result of reclassification of aircraft parts	2,740
Tangible Capital Assets as restated at March 31, 2011	$ 288,823

NOTE 5 CASH AND CASH EQUIVALENTS

(in thousands)

The Consolidated Cash Investment Trust Fund (Fund) is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2012, securities held by the Fund have a time-weighted return of 1.3% per annum (2011: 1.1% per annum).

	2012	2011
CCITF Cash	$ 198,007	$ 175,404
Cash in Transit	801	914
Other Cash	5,012	8,096
	$ 203,820	$ 184,414

NOTE 6 ACCOUNTS RECEIVABLE

(in thousands)

	2012			2011 (Note 3)
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 31,303	$ (1,919)	$ 29,384	$ 52,671
Refunds from suppliers	199		199	108
	$ 31,502	$ (1,919)	$ 29,583	$ 52,779

Accounts receivable are unsecured and interest bearing at various rates.

NOTE 7 TANGIBLE CAPITAL ASSETS
(in thousands)

	Land[1]	Buildings	Equipment[2]	Computer Hardware and Software	Land Improvements	Other[3]	2012 Total	2011 Total (Note 3&4)
Estimated Useful Life	Indefinite	40 Years	3–15 years	5–10 years	15-40 years	10–40 years		
Historical Costs[4]								
Beginning of year	$129,811	$52,694	$58,419	$29,214	$72,891	$74,801	$417,830	$401,535
Additions	932	5,056	4,392	1,721	909	1,196	14,206	19,757
Disposals, including write-downs	(941)	(237)	(119)	(72)	-	-	(1,369)	(3,462)
	$129,802	$57,513	$62,692	$30,863	$73,800	$75,997	$430,667	$417,830
Accumulated Amortization								
Beginning of year	-	$18,229	$24,441	$16,138	$44,151	26,048	129,007	$121,557
Amortization expense	-	992	3,485	1,537	497	1,927	8,438	8,224
Effect of disposals	-	(164)	(76)	(70)	-	-	(310)	(774)
	-	$19,057	27,850	$17,605	$44,648	27,975	137,135	129,007
Net Book Value at March 31, 2012	$129,802	$38,456	$34,842	$13,258	$29,152	$48,022	$293,532	
Net Book Value at March 31, 2011	$129,811	$34,426	$48,459	$13,040	$28,740	$34,347		$288,823

(1) Land includes land acquired for building sites, infrastructure and other program use.

(2) Equipment includes office, laboratory, heavy mobile and forest protection equipment, vehicles and furniture.

(3) Other consists of aircraft and aircraft engines; and highways and roads (consists of original pavement, roadbed, drainage works and traffic control devices).

(4) Historical costs include work-in-progress at March 31, 2012 totalling $66,699 (2011 - $82,109) comprised of: buildings $15,730 (2011-$11,043); equipment $13,459 (2011 - $24,287); computer hardware and software $7,991 (2011 - $7,930); land improvements $23,955 (2011 - $23,237); and other $5,564 (2011 - $15,612). Historical costs also include asset classification changes.

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2012	2011 (Note 3 & 4)
Accrued liabilities	33,615	39,624
Accounts payable general	15,030	5,250
Vacation pay	12,032	13,544
	$ 60,677	$ 58,418

NOTE 9 UNEARNED REVENUE

(in thousands)

	2012	2011
Timber Holding and Protection Charges	$ 2,966	$ 2,854
Lands and Grazing	26,184	25,811
Land Sales	9,180	6,761
Other	9,682	11,543
	$ 48,012	$ 46,969

NOTE 10 CONTRACTUAL OBLIGATIONS

(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011
Service contracts	$ 112,677	$ 204,453
Long-term leases	3,759	4,369
Grants	350	700
	$ 116,786	$ 209,522

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contract	Long-Term Leases	Grants	Total
2012-13	$ 34,386	$ 702	$ 350	$ 35,438
2013-14	25,475	638	-	26,113
2014-15	16,033	629	-	16,662
2015-16	10,361	355	-	10,716
2016-17	7,751	174	-	7,925
Thereafter	18,671	1,261	-	19,932
	$ 112,677	$ 3,759	$ 350	$ 116,786

NOTE 11 CONTINGENT ASSETS AND LIABILITIES

(in thousands)

At May 30, 2012 the Ministry is a defendant in twenty-eight legal claims (2011 – twenty-seven legal claims). Nineteen of these claims have specified amounts totalling $1,398,574 and the remaining nine have no specified amounts (2011 – eighteen claims with specified amounts of $1,385,571 and nine with no specified amount). Included in the total legal claims are four claims amounting to $1,374,046 and six claims with no specified amount (2011 – five claims amounting to $1,376,032 and five claims with no specified amount) in which the Ministry has been jointly named with other entities. Eleven claims amounting to $576,840 (2011 - ten claims amounting to $4,204) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

The Ministry is actively involved in various legal claims to recover amounts spent on fighting forest fires. The outcome of these actions is not determinable at the present time; however, the amounts that may be recovered are potentially significant.

NOTE 12 REVENUES

The Softwood Lumber Agreement, 2006 requires the Minister of Natural Resources of the Government of Canada to collect a softwood lumber export tax on lumber export products to the United States. The export tax levels are based upon the *Random Lengths* Composite Framing Lumber Price Index (CFLPI). Above a CFLPI level of $US355 the export tax rate is 0 per cent. As the CFLPI falls below $US355, this tax rate increases in increments of 5 per cent until the export tax rate reaches 15 per cent. The export tax collected is transferred to the provinces net of the Government of Canada's administration and legal costs. (Note: Not in thousands)

The Ministry received $22.1 million for the nine month period ended December 31, 2011 ($29.8 million for the nine month period ended December 31, 2010) and has accrued $6.2 million for the three month period ended March 31, 2012 (accrued $9.6 million for the three month period ended March 31, 2011). The amount of the transfer received for the three month period will vary from that estimated by the amount of administration and legal costs incurred by the Government of Canada.

NOTE 13 TRUST FUNDS UNDER ADMINISTRATION

(in thousands) (Note 3)

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

At March 31, 2012 trust funds under administration were as follows:

	2012	2011
Geophysical General Trust	$ 3,500	$ 3,439
Miscellaneous General Trust (Lands)	22,665	19,911
Performance Deposit Trust	1,519	1,285
Forests Act Securities General Trust	1,835	2,113
	$ 29,519	$ 26,748

In addition to the above trust funds under administration, the Ministry holds bank guarantees in the form of letters of credit and promissory notes as follows:

	2012	2011
Miscellaneous General Trust (Lands)	$ 23,776	$ 21,775
Performance Deposit Trust	3,674	2,284
Forests Act Securities General Trust	3,020	2,223
	$ 30,470	$ 26,282

NOTE 14 BENEFIT PLANS

(in thousands)

The Ministry participates in the multi-employer pension plans: Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of $12,650 for the year ended March 31, 2012 (2011 - $12,311).

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – deficiency of $397,087) and the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 deficiency - $2,067,151). At December 31, 2011, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $53,489 (2010 – deficiency $39,559).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9,136 (2011 – deficiency $4,141) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,454 (2011 – surplus of $7,020). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 15 COMPARATIVE FIGURES

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

NOTE 16 SUBSEQUENT EVENT

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministry of Sustainable Resource Development was restructured. The Ministry of Sustainable Resource Development and the Ministry of Environment and Water were consolidated and are renamed as the "Ministry of Environment and Sustainable Resource Development".

NOTE 17 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 1**

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

Expenses - Directly Incurred Detailed by Object

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
	(in thousands)		(Note 3, 4 & 15)
Salaries, Wages and Employee Benefits	$ 158,413	$ 171,647	$ 167,632
Supplies and Services	99,725	327,206	207,116
Supplies and Services from Support Service Arrangements with Related Parties (a)	588	537	520
Grants	20,080	53,495	42,400
Financial Transactions and Other	755	1,198	289
Consumption of Inventory	2,600	840	1,072
Amortization of Tangible Capital Assets	13,589	8,438	8,224
	$ 295,750	$ 563,361	$ 427,253

(a) The Ministry receives financial and administrative services from the Department of Energy.

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 2**

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

Related Party Transactions

Year ended March 31, 2012

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Ministry had the following transactions with related parties recorded on the Consolidated Statements of Operations and the Consolidated Statements of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Entities	
	2012	2011 (Note 3)
Revenues		
Fees and Charges	$ 71	$ 58
Expenses – Directly Incurred		
Grants	$ 1,442	$ 790
Interest	148	-
Other Services	7,232	5,531
	$ 8,822	$ 6,321
Tangible Capital Assets Transferred Out	$ -	$ 735
Receivable From	$ -	$ -
Payable To	$ 2,028	$ 488

The above transactions do not include support service arrangement transactions disclosed in Schedule 1.

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 3.

	Other Entities	
	2012	2011 (Note 3)
Expenses – Incurred by Others		
Accommodation	$ 38,705	$ 32,836
Administration Costs	6,754	6,064
Air Transportation	287	280
Legal	2,322	1,726
	$ 48,068	$ 40,906

MINISTRY OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 3**

SCHEDULE TO CONSOLIDATED FINANCIAL STATEMENTS

Allocated Costs

Year ended March 31, 2012

(in thousands)

	2012						2011
		Expenses – Incurred by others					(Note 13)
Program	Expenses (1)	Accommodation Costs (2)	Administration Costs (3)	Air Transportation (4)	Legal Services (5)	Total Expenses	Total Expenses
Ministry Support Services	$ 31,030	$ 6,283	$ 373	$ 160	$ 429	$ 38,275	$ 30,023
Forestry	416,897	14,076	5,005	90	239	436,307	273,987
Land Use Secretariat	6,600	571	79	2	201	7,453	12,982
Lands	62,890	11,196	749	20	979	75,834	63,818
Fish and Wildlife	36,415	5,552	437	12	474	42,890	36,663
Quasi-judicial Land-use and Compensation Decisions	9,261	1,027	111	3	-	10,402	9,056
Environment Statutory Programs	803	-	-	-	-	803	724
	$ 563,896	$ 38,705	$ 6,754	$ 287	$ 2,322	$ 611,964	$ 427,253

(1) Expenses – Directly Incurred as per Statement of Operations.

(2) Costs for accommodation on Schedule 3 were allocated by full time equivalent.

(3) Costs for administration on Schedule 3 were allocated by percentage of total costs incurred. Amount includes Administration for $6,509, Corporate Internal Audit Services (CIAS) for $142 and Corporate Human Resources Learning for $103.

(4) Costs for air transportation on Schedule 3 were allocated by percentage of use in prior year.

(5) Costs for legal services on Schedule 3 were allocated based on actual usage.

AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Minister of Environment and Sustainable Resource Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Sustainable Resource Development, which comprise the statement of financial position as at March 31, 2012 and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Sustainable Resource Development as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by Merwan N. Saher, FCA

Auditor General

June 4, 2012

Edmonton, Alberta

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

STATEMENT OF OPERATIONS

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
	(Schedule 4)		(Note 3, 4 & 13)
		(in thousands)	
Revenues (Note 2b, Schedules 1 and 2)			
Transfer to Environmental Protection and Enhancement Fund	$ (65,704)	$ (98,349)	$ (93,038)
Remission of Surplus from the Environmental Protection and Enhancement Fund	52,336	86,762	80,526
Transfers from the Government of Canada	25,370	43,027	48,751
Fees and Licences	111,464	117,180	114,187
Investment Income	15	16	20
Land Sales	5,000	60,667	8,129
Other Revenue*	25,131	26,838	24,912
	153,612	236,141	183,487
Expenses – Directly Incurred (Note 2b and Schedule 8)			
Program (Schedules 3 and 5)			
Ministry Support Services	35,855	31,030	30,023
Forestry	133,773	404,490	261,092
Land Use Secretariat	6,600	6,600	12,982
Lands	61,995	118,095	71,697
Fish and Wildlife	38,685	36,338	36,583
Quasi-judicial Land-use and Compensation Decisions	8,844	9,294	9,082
	285,752	605,847	421,459
Net Operating Results	$ (132,140)	$ (369,706)	$ (237,972)

The accompanying notes and schedules are part of these financial statements.

*Other revenue includes transfer of revenue from Land Stewardship Fund of $1.075 million.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

STATEMENT OF FINANCIAL POSITION

As at March 31, 2012

	2012	2011 (Note 3, 4 & 13)
	(in thousands)	
Assets		
Cash and Cash Equivalents	$ 5,697	$ 5,876
Accounts Receivable (Note 5)	116,315	133,287
Inventories	4,429	3,917
Tangible Capital Assets (Note 4 and 6)	293,444	288,730
	$ 419,885	$ 431,810
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	$ 165,016	$ 121,712
Unearned Revenue (Note 8)	47,322	46,233
	212,338	167,945
Net Assets		
Net Assets at Beginning of Year (Note 3 & 4)	263,865	232,371
Net Operating Results	(369,706)	(237,972)
Net Financing Provided from General Revenues	313,388	269,466
Net Assets at End of Year (Note 3 & 4)	207,547	263,865
	$ 419,885	$ 431,810

Contractual obligations and contingent liabilities (Notes 9 and 10)

The accompanying notes and schedules are part of these financial statements.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

STATEMENT OF CASH FLOWS

Year ended March 31, 2012

	2012	2011 (Note 3, 4 & 13)
	(in thousands)	
Operating Transactions		
Net Operating Results	$ (369,706)	$ (237,972)
Non-cash items included in Net Operating Results		
Amortization	8,404	8,194
(Gain) Loss on Disposal of Tangible Capital Assets	(10,106)	(13,436)
Nominal Sum Disposal	10,106	13,449
	(361,302)	(229,765)
(Increase) Decrease in Accounts Receivable	16,972	(20,976)
(Increase) Decrease in Inventories	(512)	(41)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	43,304	(11,797)
Increase (Decrease) in Unearned Revenue	1,089	9,383
Cash (Applied to) Provided by Operating Transactions	(300,449)	(253,196)
Capital Transactions		
Acquisition of Tangible Capital Assets	(13,708)	(18,981)
Proceeds on Disposal/Sale of Tangible Capital Assets	3	1
Transfer of Tangible Capital Assets to Other Government Entities	10	752
Cash (Applied to) Provided by Capital Transactions	(13,695)	(18,228)
Financing Transactions		
Net Financing Provided from General Revenues	313,388	269,466
Impact of restatement	577	568
Cash (Applied to) Provided by Financing Transactions	313,965	270,034
(Decrease) Increase in Cash and Cash Equivalents	(179)	(1,390)
Cash and Cash Equivalents at Beginning of Year	5,876	7,266
Cash and Cash Equivalents at End of Year	5,697	$ 5,876

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY

The Department of Sustainable Resource Development (the Department) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The Department also operates under the authority of the following acts:

Organization	Authority
The Department of Sustainable Resource Development	*Boundary Surveys Act* *Wildlife Act* *Fisheries (Alberta) Act* *Forests Act* *Forest and Prairie Protection Act* *Forest Reserves Act* *Mines and Minerals Act* *Public Lands Act* *Surveys Act*
Surface Rights Board	*Surface Rights Act*
Land Compensation Board	*Expropriation Act*

The goals of the Department's Core businesses are:

Forestry - The Department provides leadership and guidance to ensure the multiple benefits received from the Province's forests are realized by using the best possible forest management, wildfire management and forest industry practices.

Land Use Secretariat – The Land Use Secretariat facilitates the development of regional plans that provide a blueprint for land-use management and decision-making that addresses Alberta's growth pressures. Alberta's Land-use Framework provides clear direction for managing land, air, water and biodiversity, and is based on economic, environmental and social outcomes that guide planning, decision-making, and management of land and natural resources in regions.

Lands – The Department manages the demands of multiple stakeholders using Alberta's public land by integrating planning and management best practices to sustain the benefits Albertans receive from their natural resources and public lands.

Fish and Wildlife – The Department manages fish and wildlife species based on the best available science and integrated decision-making processes. The sound stewardship of fish and wildlife resources facilitates consumptive (fishing and hunting) and non-consumptive recreation opportunities compatible with healthy and diverse fish and wildlife populations.

Quasi-judicial Land-use and Compensation Decisions – Reporting to the Minister of Sustainable Resource Development, the Department's quasi-judicial boards make their decisions independently, in accordance with their own governing legislation. **The Surface Rights Board** conducts hearings when operators and landowners or occupants fail to agree on entry or compensation related to resource activity on privately owned lands or occupied public lands. **The Land Compensation Board** establishes compensation when private land is expropriated by a public authority for projects in the public interest.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Sustainable Resource Development, which is part of the Ministry of Sustainable Resource Development and for which the Minister of Sustainable Resource Development is accountable. Other entities reporting to the Minister are the Environmental Protection and Enhancement Fund, the Natural Resources Conservation Board, and the Land Stewardship Fund. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the "Fund"). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing Provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on an accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive goods or services directly in return. Internal government transfers are recognized as revenue when received.

Transfers from the Government of Canada

Transfers from the Government of Canada are recognized as revenue when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met and a reasonable estimate of the amounts can be made.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual credit or recovery amounts exceed budget, the Department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the Department's credit or recovery initiatives.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs, which are the cost of the employer contributions for current services of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees and indemnities.

Incurred by Others

Services contributed by other entities in support of the Department operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals, as well as inventories held for resale.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000. All land is capitalized.

Donated tangible capital assets are recorded at fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets and inventories) are gifted or sold for a nominal sum, the fair values for these physical assets less any nominal proceeds are recorded as grants in kind.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Environmental liabilities arise from the obligation to remediate contaminated sites. When the Department has incurred such liabilities, a liability is accrued based on management's best estimates. Where an environmental liability cannot be estimated, the nature of the liability and its potential effect on the Department's financial statements is disclosed. For fiscal year ending March 31, 2012, the Department has no environmental liabilities.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Net Assets/Net Liabilities

Net assets/net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments.

Measurement Uncertainty (in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Royalties and disturbance fees on dispositions, recorded as $3,577 in these financial statements, are subject to measurement uncertainty.

Some revenues are predicated on self-assessment where clients are expected to understand the terms of their lease or permit and comply with them. This could impact the completeness of the revenues from royalties and disturbance fees on dispositions when clients fail to comply with the lease, permit, or disposition requirements. The Department is in the process of enhancing systems and methods to validate amounts reported and ensure completeness of revenues. Regardless of system enhancements, procedures cannot identify all sources of unreported income from self assessed revenues cannot be identified. The Department does not estimate the amount of unreported royalties or disposition fees.

The provision for doubtful accounts, recorded as $1,919 in these financial statements, is based on the assumption that:

- 5% of the accounts receivable between 32 and 90 days
- 50% of the accounts receivable between 91 and 365 days, and
- 100% of the accounts receivable over 365 days

at March 31, 2012 will not be collected.

NOTE 3 GOVERNMENT REORGANIZATION

The Department of Sustainable Resource Development was affected as a result of restructuring of government ministries announced on October 12, 2011. Comparatives for 2011 have been restated as if the Department had always been assigned with its current responsibilities.

NOTE 4 RESTATEMENT

(in thousands)

In addition to the restatement for the government reorganization, prior year numbers have been restated due to changes in tangible capital assets.

Net assets (liabilities) at March 31, 2010 have been adjusted as follows:

Net assets (liabilities) as previously reported at March 31, 2010	$ 234,222	
Transfer of net assets to the Ministry of Solicitor General and Public Security	323	
Tangible Capital Asset restatement	(2,174)	
Net Assets (liabilities) restated at March 31, 2010		232,371
March 31, 2011 Operating Results	(262,273)	
Operating results restatement for transfer of expenses to Ministry of Solicitor General and Public Security	21,561	
Operating results restatement for reclassification of aircraft parts	2,740	
March 31, 2011 Restated Operating results		(237,972)
Net Financing provided from General Revenues as previously reported at March 31, 2011	291,027	
Net Financing restatement for transfer to Ministry of Solicitor General and Public Security	(21,561)	
Restated Net Financing provided from General Revenue at March 31, 2011		269,466
Net Assets (liabilities) at March 31, 2011		$ 263,865

Tangible Capital Assets have been restated as a result of:

- the transfer of assets to the Ministry of Solicitor General and Public Security,
- the sale of land in previous years where the land was not removed form the asset account, and
- a reclassification of aircraft parts from inventory to tangible capital assets.

Tangible Capital Assets as previously reported at March 31, 2010	$ 281,129
Decrease in tangible assets - Land	(2,174)
2010-11 Net Change in tangible capital assets	8,522
Decrease in tangible capital assets (transfer to the Ministry of Solicitor General and Public Security)	(1,487)
Increase as a result of reclassification of aircraft parts	2,740
Tangible Capital Assets as restated at March 31, 2011	$ 288,730

NOTE 5 ACCOUNTS RECEIVABLE
(in thousands)

	2012			2011
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value (Note 3)
Accounts receivable	$ 118,035	$ (1,919)	$ 116,116	$ 133,179
Refunds from suppliers	199	-	199	108
	$ 118,234	$ (1,919)	$ 116,315	$ 133,287

Accounts receivable are unsecured and interest bearing at various rates.

NOTE 6 TANGIBLE CAPITAL ASSETS
(in thousands)

	Land[1]	Buildings	Equipment[2]	Computer Hardware and Software	Land Improvements	Other[3]	2012 Total	2011 Total (Note 3 & 4)
Estimated Useful Life	Indefinite	40 Years	3–15 years	5–10 years	15-40 years	10–40 years		
Historical Costs[4]								
Beginning of year	$129,811	$52,694	$58,147	$28,984	$72,891	$74,801	$417,328	$400,994
Additions	932	5,056	4,392	1,692	909	1,196	14,177	19,715
Disposals, including write-downs	(941)	(237)	(104)	(26)	-	-	(1,308)	(3,381)
	$129,802	$57,513	$62,435	$30,650	$73,800	$75,997	$430,197	$417,328
Accumulated Amortization								
Beginning of year	-	$18,229	$24,210	$15,960	$44,151	26,048	128,598	$121,097
Amortization expense	-	992	3,477	1,511	497	1,927	8,404	8,194
Effect of disposals	-	(164)	(61)	(24)	-	-	(249)	(693)
	-	$19,057	27,626	17,447	44,648	27,975	136,753	128,598
Net Book Value at March 31, 2012	$129,802	$38,456	$34,809	$13,203	29,152	$48,022	293,444	
Net Book Value at March 31, 2011	$129,811	$34,426	$48,418	$12,988	28,740	$34,347		$288,730

(1) Land includes land acquired for building sites, infrastructure and other program use.

(2) Equipment includes office, laboratory, heavy mobile and forest protection equipment, vehicles and furniture.

(3) Other consists of aircraft and aircraft engines; and highways and roads (consists of original pavement, roadbed, drainage works and traffic control devices).

(4) Historical costs include work-in-progress at March 31, 2012 totalling $66,699 (2011 - $82,109) comprised of: buildings $15,730 (2011-$11,043); equipment $13,459 (2011 - $24,287); computer hardware and software $7,991 (2011 - $7,930); land improvements $23,955 (2011 - $23,237); and other $5,564 (2011 - $15,612). Historical costs also include asset classification changes.

NOTE 7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES
(in thousands)

	2012	2011 (Note 3 & 4)
Payable to Environmental Protection and Enhancement Fund	$ 94,053	$ 80,738
Payable to the Land Stewardship Fund	35,882	-
Accrued liabilities	17,019	23,610
Accounts payable general	6,030	3,820
Vacation pay	12,032	13,544
	$ 165,016	$ 121,712

NOTE 8 UNEARNED REVENUE
(in thousands)

	2012	2011
Timber Holding and Protection Charges	$ 2,966	$ 2,854
Lands and Grazing	26,184	25,811
Land Sales	9,180	6,761
Other	8,992	10,807
	$ 47,322	$ 46,233

NOTE 9 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011 Restated
Service contracts	$ 75,521	$ 166,794
Long-term leases	3,731	4,341
Grants	350	700
	$ 79,602	$ 171,835

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contract	Leases	Grants	Total
2012-13	$ 21,784	$ 685	$ 350	$ 22,819
2013-14	14,938	629	-	15,567
2014-15	9,973	627	-	10,600
2015-16	6,381	355	-	6,736
2016-17	3,774	174	-	3,948
Thereafter	18,671	1,261	-	19,932
	$ 75,521	$ 3,731	$ 350	$ 79,602

NOTE 10 CONTINGENT ASSETS AND LIABILITIES
(in thousands)

At May 30, 2012 the Department is a defendant in twenty-eight legal claims (2011 – twenty-seven legal claims). Nineteen of these claims have specified amounts totalling $1,398,574 and the remaining nine have no specified amounts (2011 – eighteen claims with specified amounts of $1,385,571 and nine with no specified amount). Included in the total legal claims are four claims amounting to $1,374,046 and six claims with no specified amount (2011 – five claims amounting to $1,376,032 and five claims with no specified amount) in which the Department has been jointly named with other entities. Eleven claims amounting to $576,840 (2011 - ten claims amounting to $4,204) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

The Department is actively involved in various legal claims to recover amounts spent on fighting forest fires. The outcome of these actions is not determinable at the present time; however, the amounts that may be recovered are potentially significant.

NOTE 11 TRUST FUNDS UNDER ADMINISTRATION
(in thousands)

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2012 trust funds under administration were as follows:

	2012	2011
Geophysical General Trust	$ 3,500	$ 3,439
Miscellaneous General Trust (Lands)	22,665	19,911
Performance Deposit Trust	1,519	1,285
Forests Act Securities General Trust	1,835	2,113
	$ 29,519	$ 26,748

In addition to the above trust funds under administration, the Department holds bank guarantees in the form of letters of credit and promissory notes as follows:

	2012	2011
Miscellaneous General Trust (Lands)	$ 23,776	$ 21,775
Performance Deposit Trust	3,674	2,284
Forests Act Securities General Trust	3,020	2,223
	$ 30,470	$ 26,282

NOTE 12 BENEFIT PLANS

(in thousands) (Note 3)

The Department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contribution of $11,933 for the year ended March 31, 2012 (2011 – $12,236).

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of $517,726 (2010 – deficiency of $397,087), the Public Service Pension Plan reported a deficiency of $1,790,383 (2010 deficiency - $2,067,151) and the Supplementary Retirement Plan for Public Service Managers had a deficiency of $53,489 (2010 – deficiency $39,559).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2012, the Bargaining Unit Plan reported an actuarial surplus of $9,136 (2011 – deficiency $4,141) and the Management, Opted Out and Excluded Plan an actuarial surplus of $10,454 (2011 – surplus of $7,020). The expense for these two plans is limited to employer's annual contributions for the year.

NOTE 13 COMPARATIVE FIGURES

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

NOTE 14 SUBSEQUENT EVENT

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministry of Sustainable Resource Development was restructured. The Department of Sustainable Resource Development and the Department of Environment and Water were consolidated and are renamed as the "Department of Environment and Sustainable Resource Development".

NOTE 15 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 1**

SCHEDULE TO FINANCIAL STATEMENTS

Revenues

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
	(in thousands)		(Note 13)
Internal Government Transfers			
Allocation of Revenue to Environmental Protection and Enhancement Fund	$ (65,704)	$ (98,349)	$ (93,038)
Remission of Surplus from Environmental Protection and Enhancement Fund	52,336	86,762	80,526
	(13,368)	(11,587)	(12,512)
Transfers from the Government of Canada**			
Various	25,370	43,027	48,751
Investment Income	15	16	20
Fees and Licences			
Timber Royalties and Fees	38,400	39,204	36,695
Land and Grazing	61,904	69,469	68,856
Other	11,160	8,507	8,636
	111,464	117,180	114,187
Other Revenue			
Land Sales	5,000	60,667	8,129
Various*	14,931	10,807	9,702
Refunds of Expenses	-	5,925	1,761
Gain on disposal of Tangible Capital Assets and Nominal Sum Disposal	10,200	10,106	13,449
	30,131	87,505	33,041
Total Revenues	$ 153,612	$ 236,141	$ 183,487

*Other revenue included transfer of revenue from Land Stewardship Fund of $1.075 million.

**The Softwood Lumber Agreement, 2006 requires the Minister of Natural Resources of the Government of Canada to collect a softwood lumber export tax on lumber export products to the United States. The export tax levels are based upon the *Random Lengths* Composite Framing Lumber Price Index (CFLPI). Above a CFLPI level of $US355 the export tax rate is 0 per cent. As the CFLPI falls below $US355, this tax rate increases in increments of 5 per cent until the export tax rate reaches 15 per cent. The export tax collected is transferred to the provinces net of the Government of Canada's administration and legal costs. (Note: Not in thousands)

The Department received $22.1 million for the nine month period ended December 31, 2011 ($29.8 million for the nine month period ended December 31, 2010) and has accrued $6.2 million for the three month period ended March 31, 2012 (accrued $9.6 million for the three month period ended March 31, 2011). The amount of the transfer received for the three month period will vary from that estimated by the amount of administration and legal costs incurred by the Government of Canada.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 2**

SCHEDULE TO FINANCIAL STATEMENTS

Credit or Recovery

Year ended March 31, 2012

	2012		
	Authorized	Actual	(Shortfall)/ Excess
		(in thousands)	
Federal Government Forestry Programs	$ 50	$ 75	$ 25
Bow Habitat Station	60	88	28
Forestry Youth Programs	680	144	(536)
Hinton Training Centre	700	202	(498)
Smoky Lake Tree Improvement Centre	125	65	(60)
Forest Sector Competitiveness	100	100	-
Forest Reforestation	154	81	(73)
Spatial Data Warehouse	4,750	2,655	(2,095)
Mountain Pine Beetle Control Funding - Province of Saskatchewan	150	150	-
Fish and Wildlife	7,125	6,381	(744)
	$ 13,894	$ 9,941	$ (3,953)[1]

(1) Shortfall is deducted from current year's authorized budget, as disclosed in Schedules 4 and 5 to the financial statements.

Bow Habitat Station – Revenues are from admissions, concessions, programs, special events, rentals, membership and donations which are used to offset the visitor centre's operating expenses.

Forestry Youth Programs - Forestry Youth Employment Initiatives are delivered by the Department in partnership with industry, communities, and other government departments to promote career opportunities for youth related to forestry and other natural resource fields.

Hinton Training Centre initiative was established for the purpose of collecting revenue for room and board, for classroom utilization, and the sale of interactive fire compact discs for national and international studies.

Smoky Lake Tree Improvement Centre initiative accounts for the scientific work, resource conservation, and technology transfer related to regional forest improvement in the Peace Region.

Forest Reforestation – The program is designed to assist forest companies to adopt the new Alternate Regeneration Survey (ARS) standards and survey protocols by facilitating the process of photo acquisition to ensure aerial photo standardization.

Federal Government Forestry Programs – Revenue is collected through agreements with the Government of Canada to fund various forestry programs such as the country-wide framework for synthesizing data and reporting on the status of Canadian forests, as well as conducting risk analysis impacts of national significance.

Spatial Data Warehouse initiative was established for updating and distributing provincial base maps, including cadastral, disposition, and topographic mapping. Revenue for this initiative is from filing fees for cadastral and disposition mapping collected at the time of registration, revenue sharing with Spatial Data Warehouse Ltd., provincial base map sales, and partnership funding for topographic map updating.

Fish and Wildlife initiative promotes industry stewardship and investment in this provincial resource and fosters improved industry relationships with other stakeholders.

Mountain Pine Beetle – The Government of Saskatchewan has provided funding to assist with mountain pine beetle control for fiscal year 2011-12.

Note: The credits or recoveries presented in this schedule are included in the Department's Statement of Operations.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 3**

SCHEDULE TO FINANCIAL STATEMENTS

Expenses – Directly Incurred Detailed by Object

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
	(in thousands)		(Note 3, 4 & 13)
Salaries, Wages and Employee Benefits	$ 149,328	$ 142,736	$ 146,107
Supplies and Services	90,249	82,722	82,683
Supplies and Services from Support Service Arrangements with Related Parties (a)	588	537	520
Grants	23,693	309,099	174,465
Financial Transactions and Other	755	1,051	289
Land Stewardship Fund	5,000	60,458	8,129
Consumption of Inventory	2,600	840	1,072
Amortization of Tangible Capital Assets	13,539	8,404	8,194
	$ 285,752	$ 605,847	$ 421,459

(a) The Department receives financial and administrative services from the Department of Energy.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

Schedule 4

SCHEDULE TO FINANCIAL STATEMENTS

Budget

Year ended March 31, 2012

	2011-12 Estimates [1]	Adjustments (a)	2011-12 Budget [2]	Authorized Supplementary (b)	2011-12 Authorized Budget
			(in thousands)		
Revenues					
Transfer to Environmental Protection and Enhancement Fund	$ (65,704)	$ -	$ (65,704)	$ -	$ (65,704)
Remission of Surplus from the Environmental Protection and Enhancement Fund	52,336	-	52,336	-	52,336
Transfers from Government of Canada	25,370	-	25,370	-	25,370
Premiums, Fees, and Licenses	111,464	-	111,464	-	111,464
Investment income	15	-	15	-	15
Other Revenue	30,131	-	30,131	-	30,131
	153,612	-	153,612	-	153,612
Expenses - Directly Incurred					
Programs					
Ministry Support Services	35,855	-	35,855	-	35,855
Forestry	133,773	250	134,023	280,000	414,023
Land Use Secretariat	6,600	-	6,600	-	6,600
Lands	61,995	-	61,995	-	61,995
Fish and Wildlife	38,685	-	38,685	-	38,685
Quasi-judicial Land-use and Compensation Decisions	8,844	-	8,844	-	8,844
Credit or Recovery Shortfall (Schedule 2)	-	(3,953)	(3,953)	-	(3,953)
	285,752	(3,703)	282,049	280,000	562,049
Net Operating Results	$ (132,140)	$ 3,703	$ (128,437)	$ (280,000)	$ (408,437)
Capital Investment [3]	$ 15,692	$ 3,361	$ 19,053	$ -	$ 19,053
Non-Budgetary Disbursements [4]	$ -	$ -	$ -	$ -	$ -

(1) The 2011-12 Government Estimates on the Statement of Operations no longer differentiates between statutory and voted expenses. Valuation adjustments are allocated to each program. This allocation was previously disclosed on Schedule 8.

(2) Budget includes voted expense by program and amounts not required to be voted.

(3) Capital Investment consists of investments in capital projects, equipment purchases and inventory purchases.

(4) Non-Budgetary Disbursements consist of cash payments for the reductions of a liability, expenses to be recognized in a future year, or the acquisition of a financial asset. Financial liabilities for alternatively financed capital projects are reduced by payments from a non-budgetary disbursement role.

(a) Adjustments include encumbrances, credit or recovery increases approved by Treasury Board and Enterprise and credit or recovery shortfalls. In the event that actual voted Expense and Capital Investment in the prior year exceeds the authorized spending the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year.

The budget was adjusted by $0.1 million for forest sector competitiveness, $0.15 million to prevent the potential of mountain pine beetle infestations which were approved by Treasury Board pursuant to section 24(2) of the *Financial Administration Act*.

Adjustments for capital investment for the airtanker base upgrade project of $0.6 million and a $2.8 million capital carryover for aircraft conversion were approved by Treasury Board pursuant to section 28.1 of the *Financial Administration Act*.

(b) Supplementary Estimates were approved on December 1, 2011 for $250 million for fire-fighting costs, and $30 million for mountain pine beetle infestation.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

Schedule 5

SCHEDULE TO FINANCIAL STATEMENTS

Comparison of Expenses - Directly Incurred, Voted Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending

Year ended March 31, 2012

Expense, EIP and Capital Investments	2011-12 Estimates	Adjustments (a)	2011-12 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget	Amounts Not Required To Be Voted (c)	2011-12 Authorized Spending	2011-12 Actual (d)	Unexpended (Over Expended)
				(in thousands)					
Expense and Capital Investments									
Ministry Support Services									
1.0.1 Minister's Office	$ 443	-	$ 443	$ -	$ 443	$ -	$ 443	$ 342	$ 101
1.0.2 Deputy Minister's Office	561	-	561	-	561	-	561	563	(2)
1.0.3 Communications	1,707	-	1,707	-	1,707	-	1,707	1,596	111
1.0.4 Human Resources	2,898	-	2,898	-	2,898	-	2,898	2,729	169
1.0.5 Corporate Services									
- Expense	30,246	-	30,246	-	30,246	(1,140)	29,106	26,851	2,255
- Capital Investment	40	-	40	-	40	-	40	62	(22)
	$ 35,895	$ -	$ 35,895	$ -	$ 35,895	$ (1,140)	$ 34,755	$ 32,143	$ 2,612
Forestry									
2.0.1 Forest Protection									
- Expense	107,396	-	107,396	250,000	357,396	(11,542)	345,854	339,648	6,206
- Capital Investment	8,853	3,361	12,214	-	12,214	-	12,214	11,720	494
2.0.2 Forest Management	22,734	150	22,884	30,000	52,884	-	52,884	51,869	1,015
2.0.3 Forest Economics	3,643	100	3,743	-	3,743	-	3,743	5,253	(1,510)
	$ 142,626	$ 3,611	$ 146,237	$ 280,000	$ 426,237	$ (11,542)	$ 414,695	$ 408,490	$ 6,205
Land Use Secretariat									
3.0.1 Land Use Secretariat	6,600	-	6,600	-	6,600	-	6,600	6,600	-
	$ 6,600	$ -	$ 6,600	$ -	$ 6,600	$ -	$ 6,600	$ 6,600	$ -

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

Schedule 5

SCHEDULE TO FINANCIAL STATEMENTS

(cont)

Comparison of Expenses - Directly Incurred, Voted Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending

Year ended March 31, 2012

Expense, EIP and Capital Investments	2011-12 Estimates*	Adjustments (a)	2011-12 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget	Amounts Not Required To Be Voted (c)	2011-12 Authorized Spending	2011-12 Actual (d)	Unexpended (Over Expended)
				(in thousands)					
Lands									
4.0.1 Public Land Management									
- Expense	27,425	-	27,425	-	27,425	(1,052)	26,373	25,673	700
- Capital Investment	902	-	902	-	902	-	902	1,458	(556)
4.0.2 Rangeland Management									
- Expense	9,936	-	9,936	-	9,936	(216)	9,720	9,592	128
- Capital Investment	200	-	200	-	200	-	200	299	(99)
4.0.3 Land Dispositions									
- Expense	24,634	-	24,634	-	24,634	(15,976)	8,658	10,516	(1,858)
- Capital Investment	5,000	-	5,000	-	5,000	-	5,000	1,075	3,925
	$ 68,097	$ -	$ 68,097	$ -	$ 68,097	$ (17,244)	$ 50,853	$ 48,613	$ 2,240
Expense and Capital Investments									
Fish and Wildlife									
5.0.1 Fisheries Management									
- Expense	10,459	-	10,459	-	10,459	-	10,459	10,823	(364)
- Capital Investment	38	-	38	-	38	-	38	-	38
5.0.2 Wildlife Management									
- Expense	28,226	-	28,226	-	28,226	(2,465)	25,761	25,261	500
- Capital Investment	659	-	659	-	659	-	659	445	214
	$ 39,382	$ -	$ 39,382	$ -	$ 39,382	$ (2,465)	$ 36,917	$ 36,529	$ 388
Quasi-judicial Land-use and Compensation Decisions									
6.0.1 Natural Resources Conservation Board	5,987	-	5,987	-	5,987	-	5,987	5,922	65
6.0.2 Surface Rights and Land Compensation Boards	2,857	-	2,857	-	2,857	(3)	2,854	3,364	(510)
	$ 8,844	$ -	$ 8,844	$ -	$ 8,844	$ (3)	$ 8,841	$ 9,286	$ (445)

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 5**

SCHEDULE TO FINANCIAL STATEMENTS **(cont)**

Comparison of Expenses - Directly Incurred, Voted Expense, Capital Investment and Non-Budgetary Disbursements by Element to Authorized Spending

Year ended March 31, 2012

Expense, EIP and Capital Investments	2011-12 Estimates*	Adjustments (a)	2011-12 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget	Amounts Not Required To Be Voted (c)	2011-12 Authorized Spending	2011-12 Actual (d)	Unexpended (Over Expended)
					(in thousands)				
Credit or Recovery Shortfall (Schedule 2)	-	(3,953)	(3,953)	-	(3,953)		(3,953)		(3,953)
	$ 301,444	$ (342)	$ 301,102	$ 280,000	$ 581,102	$ (32,394)	$ 548,708	$ 541,661	$ 7,047
Expense	$ 285,752	$ (3,703)	$ 282,049	$ 280,000	$ 562,049	$ (32,394)	$ 529,655	$ 526,602	$ 3,053
Capital Investment	15,692	3,361	19,053	-	19,053	-	19,053	15,059	3,994
	$ 301,444	$ (342)	$ 301,102	280,000	$ 581,102	(32,394)	548,708	$ 541,661	$ 7,047
Non-Budgetary Disbursements	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(a) Adjustments include encumbrances, credit or recovery increases approved by Treasury Board and Enterprise and credit or recovery shortfalls. In the event that actual voted Expense and Capital Investment in the prior year exceeds the authorized spending the difference is known as an encumbrance. The encumbrance reduces the budgeted amount voted in the current year.

The budget was adjusted by $0.1 million for forest sector competitiveness, $0.15 million to prevent the potential of mountain pine beetle infestations which were approved by Treasury Board pursuant to section 24(2) of the *Financial Administration Act*.

Adjustments for capital investment for the airtanker base upgrade project of $0.6 million and a $2.8 million capital carryover for aircraft conversion were approved by Treasury Board pursuant to section 28.1 of the *Financial Administration Act*.

(b) Supplementary Estimates were approved on December 1, 2011 for $250 million for fire-fighting costs, and $30 million for mountain pine beetle infestation.

(c) Amounts not required to be voted.

Estimate amounts which do not require cash are no longer included in any supply vote. These amounts are now reported in all departments as non-cash amounts with-in the estimate of Amounts Not Required to be Voted. Non-cash amounts include the following:

- amortization expense,
- inventory consumption expense,
- expense for unfunded changes in the value of a financial asset (i.e. valuation adjustments and other provisions),
- tangible capital assets acquired, grants in kind, or grant expense made under an alternative financing agreement, and
- acquisition of capital assets by donation.

(d) Expenses incurred per Statement of Operations, excluding any valuation adjustments.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 6**

SCHEDULE TO FINANCIAL STATEMENTS

Salary and Benefits Disclosure

Year ended March 31, 2012

	2012				2011
	Base Salary [1]	Other Cash Benefits [2]	Other Non-Cash Benefits [3]	Total	Total
Deputy Minister [4][5]	$ 283,836	$ 252,178	$ 85,502	$ 621,516	$ 330,524
Assistant Deputy Ministers					
Fish and Wildlife	154,982	17,364	41,400	213,746	194,472
Forestry	163,131	3,000	43,890	210,021	217,349
Lands	177,790	3,300	48,630	229,720	249,578
Corporate Services [6]	155,462	3,000	41,207	199,669	310,274
Senior Officials					
Human Resource Services	148,802	3,000	39,163	190,965	175,972
Land Use Secretariat	191,868	3,000	52,869	247,737	232,519

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(1) Base Salary includes pensionable base pay.

(2) Other cash benefits include vacation payouts and lump sum payments.

(3) Other non-cash benefits include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, professional memberships, and tuition fees.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) Deputy Minister retired on November 11, 2011, current Deputy Minister commenced on October 13, 2011. Other cash benefits included vacation payout for retiring Deputy Minister.

(6) Restatement of 2011 to include Vacation Payout for Assistant Deputy Minister who retired on August 20, 2010.

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 7**

SCHEDULE TO FINANCIAL STATEMENTS

Related Party Transactions

Year ended March 31, 2012

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011 (Note 3)
Revenues				
Grants	$ 86,762	$ 80,526	$ -	$ -
Fees and Charges	-	-	71	50
	$ 86,762	$ 80,526	$ 71	$ 50
Expenses – Directly Incurred				
Grants	$ 285,223	$ 140,374	$ 1,442	$ 790
Other Services	-	-	4,882	4,505
Land Stewardship Fund	60,458	8,129	5	-
	$ 345,681	$ 148,503	$ 6,329	$ 5,295
Tangible Capital Assets Transferred In	$ -	$ -	$ -	$ 735
Receivable from	$ 86,767	$ 80,531	$ 351	$ 488
Payable To	$ 129,935	$ 80,738	$ 1,142	$ -

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011 (Note 3)
Expenses – Incurred by Others				
Accommodation	$ -	$ -	$ 38,248	$ 32,454
Administration Costs	-	-	6,754	6,056
Air Transportation	-	-	287	280
Legal	-	-	2,322	1,726
	$ -	$ -	$ 47,611	$ 40,516

DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT **Schedule 8**

SCHEDULE TO FINANCIAL STATEMENTS

Allocated Costs

Year ended March 31, 2012

(in thousands)

	2012					2011
		Expenses – Incurred by others				(Note 3 & 13)
Program	Expenses (1)	Accommodation Costs (2)	Administration Costs (3)	Air Transportation (4)	Legal Services (5)	Total Expenses	Total Expenses
Ministry Support Services	$ 31,030	$ 6,283	$ 345	$ 159	$ 429	$ 38,246	$ 37,050
Forestry	404,490	14,075	4,509	76	239	423,389	318,183
Land Use Secretariat	6,600	571	74	2	201	7,448	15,564
Lands	118,095	11,196	1,317	36	979	131,623	75,936
Fish and Wildlife	36,338	5,552	405	11	474	42,780	68,324
Quasi-judicial Land-use and Compensation Decisions	9,294	571	104	3	-	9,972	11,487
	$ 605,847	$ 38,248	$ 6,754	$ 287	$ 2,322	$ 653,458	$ 526,544

(1) Expenses – Directly Incurred as per Statement of Operations.

(2) Costs for accommodation on Schedule 8 were allocated by full time equivalent.

(3) Costs for administration on Schedule 8 were allocated by percentage of total costs incurred. Amount includes Administration for $6,509, Corporate Internal Audit Services (CIAS) for $142 and Corporate Human Resources Learning for $103.

(4) Costs for air transportation on Schedule 8 were allocated by percentage of use in prior year.

(5) Costs for legal services on Schedule 8 were allocated based on actual usage.

AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Minister of Environment and Sustainable Resource Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Environmental Protection and Enhancement Fund, which comprise the statement of financial position as at March 31, 2012 and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Environmental Protection and Enhancement Fund as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by Merwan N. Saher, FCA

Auditor General

June 4, 2012

Edmonton, Alberta

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
		(in thousands)	
Revenues			
Transfer from the Department of Sustainable Resource Development (Note 7)	$ 65,704	$ 377,650	$ 227,760
Investment Income	1,506	971	848
Other Revenue	80	731	339
	67,290	379,352	228,947
Expenses – Directly Incurred (Schedule 1)			
Environment Statutory Programs	2,374	803	724
Natural Resources Emergency Program			
Forest Fires	12,000	261,745	118,797
Forest Health Program	500	29,817	28,819
Intercept Feeding and Fencing	80	77	81
Debt Servicing Costs	-	148	-
	14,954	292,590	148,421
Net Operating Results	$ 52,336	$ 86,762	$ 80,526

The accompanying notes and schedules are part of these financial statements.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND
STATEMENT OF FINANCIAL POSITION
As at March 31, 2012

	2012	2011
	(in thousands)	
Assets		
Cash and Cash Equivalents (Note 3)	$ 163,782	$ 167,609
Accounts Receivable (Note 4)	94,059	80,742
	$ 257,841	$ 248,351
Liabilities		
Accounts Payable and Accrued Liabilities	$ 107,151	$ 97,615
Unearned Revenue	690	736
	107,841	98,351
Net Assets		
Net Assets at Beginning of Year	150,000	150,000
Net Operating Results	86,762	80,526
Transfer to Department	(86,762)	(80,526)
Net Assets at End of Year (Note 6)	150,000	150,000
	$ 257,841	$ 248,351

The accompanying notes and schedules are part of these financial statements.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

STATEMENT OF CASH FLOWS

Year ended March 31, 2012

	2012	2011
	(in thousands)	
Operating Transactions		
Net Operating Results	$ 86,762	$ 80,526
(Increase) Decrease in Accounts Receivable	(13,317)	1,688
Increase in Accounts Payable and Accrued Liabilities	9,536	16,167
(Decrease) in Unearned Revenue	(46)	(240)
Cash Provided by Operating Transactions	82,935	98,141
Financing Transactions		
Transfer to the Department of Sustainable Resource Development	(86,762)	(80,526)
Cash Applied to Financing Transactions	(86,762)	(80,526)
(Decrease) Increase in Cash and Cash Equivalents	(3,827)	17,615
Cash and Cash Equivalents at Beginning of Year	167,609	149,994
Cash and Cash Equivalents at End of Year	$ 163,782	$ 167,609

The accompanying notes and schedules are part of these financial statements.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY

The Environmental Protection and Enhancement Fund (the Fund) operates under the authority of the *Environmental Protection and Enhancement Act* (EPEA), Chapter E-12, Revised Statutes of Alberta 2000.

The components of the Fund are:

Environment Statutory Programs

Natural Resources Emergency Program

- Wildfire Suppression - Wildfire Management
- Forest Health
- Intercept Feeding and Fencing

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Fund, which is part of the Ministry of Sustainable Resource Development (the Ministry) and for which the Minister of Sustainable Resource Development is accountable. Other entities reporting to the Minister are the Department of Sustainable Resource Development (the Department), the Land Stewardship Fund, and the Natural Resources Conservation Board. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on an accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Expenses

Expenses are those costs the Fund has primary responsibility and accountability for, as reflected in the Government's budget documents.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (cont'd)

Net Assets/Net Liabilities

Net assets represent the difference between the carrying value of assets held by the Fund and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Fund operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments.

NOTE 3 CASH AND CASH EQUIVALENTS

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2012, securities held by the Fund have a time-weighted return of 1.3% per annum (2011: 1.1% per annum).

NOTE 4 ACCOUNTS RECEIVABLE

(in thousands)

	2012	2011
Department of Sustainable Resource Development	$ 94,053	$ 80,738
Other	6	4
	$ 94,059	$ 80,742

NOTE 5 CONTRACTUAL OBLIGATIONS
(in thousands)

Contractual obligations are obligations of the Fund to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2012	2011
Service Contracts	$ 37,156	$ 37,659
Long-term Leases	28	28
	$ 37,184	$ 37,687

Estimated payment requirements for each of the next five years and thereafter are as follows:

	Service Contract	Leases	Grants	Total
2012-13	$ 12,602	17	-	$ 12,619
2013-14	10,537	9	-	10,546
2014-15	6,060	2	-	6,062
2015-16	3,980	-	-	3,980
2016-17	3,977	-	-	3,977
	$ 37,156	$ 28	$ -	$ 37,184

NOTE 6 NET ASSETS
(in thousands)

The Net Assets for the Fund are capped at $150,000 in accordance with a Treasury Board decision.

NOTE 7 TRANSFER FROM THE DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT
(in thousands)

The following revenue was received or is receivable from the Department of Sustainable Resource Development:

	2012	2011
Revenue in Excess of Department's Base Revenue (a)	$ 98,349	$ 93,038
Forest Health	29,408	27,924
Forest Fires	249,893	106,798
	$ 377,650	$ 227,760

(a) All revenue received by the Department (excluding Credit or Recovery) that is in excess of the Department's base revenue of 2012 - $67,432 (2011 - $67,432).

NOTE 8 SALARY AND BENEFIT DISCLOSURE

The province's salary and benefit disclosure requirements for the Executives are disclosed in the financial statements of the Department of Sustainable Resource Development.

NOTE 9 BUDGET FIGURES

The revenue and expenses budget amounts disclosed in these financial statements agree with the 2011-12 Government Estimates.

NOTE 10 SUBSEQUENT EVENT

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministry of Sustainable Resource Development was restructured. The Ministry of Sustainable Resource Development and the Ministry of Environment and Water were consolidated and are renamed as the "Ministry of Environment and Sustainable Resource Development".

NOTE 11 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND **Schedule 1**

SCHEDULE TO FINANCIAL STATEMENTS

Expenses – Directly Incurred Detailed by Object

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
	(in thousands)		
Salaries, Wages and Employee Benefits	$ 4,206	$ 24,060	$ 16,859
Supplies and Services	8,374	243,033	123,253
Grants	2,374	25,349	8,309
Financial Transactions and Other	-	148	-
Total Expenses	$ 14,954	$ 292,590	$ 148,421

ENVIRONMENTAL PROTECTION AND ENHANCEMENT FUND **Schedule 2**

SCHEDULE TO FINANCIAL STATEMENTS

Related Party Transactions

Year ended March 31, 2012

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Fund.

The Fund had the following transactions with related parties recorded on the Statements of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry		Other Entities	
	2012	2011	2012	2011
Revenues				
Transfer from the Department	$ 98,349	$ 93,038	$	$ -
Grants from the Department	279,301	134,722		-
	$ 377,650	$ 227,760	$	$ -
Expenses – Directly Incurred				
Other Services	-	-	1,793	1,010
Interest	-	-	148	
	$ -	$ -	$ 1,941	$ 1,010
Receivable From	$ 94,053	$ 80,738	$	$ -
Payable To	$ 86,762	$ 80,526	$ 351	$ 488

Independent Auditor's Report

To the Minister of Environment and Sustainable Resource Development

Report on the Financial Statements

I have audited the accompanying financial statements of the Land Stewardship Fund, which comprise the statement of financial position as at March 31, 2012 and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Land Stewardship Fund as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by Merwan N. Saher, FCA

Auditor General

June 4, 2012

Edmonton, Alberta

LAND STEWARDSHIP FUND

STATEMENT OF OPERATIONS

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
		(in thousands)	
Revenues			
Internal Government Transfers – Proceeds from Surplus Land Sales (Note 2 and 5)	$ 5,000	$ 60,458	$ 8,129
Investment Income	-	229	2
	5,000	60,687	8,131
Expenses – Directly Incurred (Schedule 1)			
Operating Expenses	5,000	2,057	250
Grants	-	4,271	-
	5,000	6,328	250
Net Operating Results	$ -	$ 54,359	$ 7,881

The accompanying notes and schedules are part of these financial statements.

LAND STEWARDSHIP FUND
STATEMENT OF FINANCIAL POSITION
As at March 31, 2012

	2012	2011
	(in thousands)	
Assets		
Cash and Cash Equivalents (Note 3)	$ 31,181	$ 7,886
Accounts Receivable	35,882	-
	$ 67,063	$ 7,886
Liabilities		
Accounts Payable and Accrued Liabilities	$ 4,823	$ 5
	4,823	5
Net Assets		
Net Assets at Beginning of Year	7,881	-
Net Operating Results	54,359	7,881
Net Assets at End of Year (Note 4)	62,240	7,881
	$ 67,063	$ 7,886

The accompanying notes and schedules are part of these financial statements.

LAND STEWARDSHIP FUND
STATEMENT OF CASH FLOWS
Year ended March 31, 2012

	2012	2011
	(in thousands)	
Operating Transactions		
Net Operating Results	$ 54,359	$ 7,881
(Increase) in Accounts Receivable	(35,882)	-
Increase in Accounts Payable and Accrued Liabilities	4,818	5
Cash Provided by Operating Transactions	23,295	7,886
Increase in Cash and Cash Equivalents	23,295	7,886
Cash and Cash Equivalents at Beginning of Year	7,886	-
Cash and Cash Equivalents at End of Year	$ 31,181	$ 7,886

The accompanying notes and schedules are part of these financial statements.

LAND STEWARDSHIP FUND

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 AUTHORITY

The Land Stewardship Fund (the Fund) operates under the authority of the *Public Lands Act*, section 11.2(1) and was established effective April 1, 2010. The Land Stewardship Fund has been set up to receive the proceeds from the sale of public land in Alberta. The funds can be used to purchase land for conservation and stewardship needs such as land for sensitive habitat, critical watersheds and conservation easements that better meet the Ministry's mandate. Further, under the authority of the Alberta Regulation 31/2011 Public Lands Act Land Stewardship Fund, the Fund may be used to provide grants made by the Minister under the Environment Grant Regulation (AR 182/2000) to persons for the purchase of an estate or interest in land for conservation purposes.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Fund, which is part of the Ministry of Sustainable Resource Development (the Ministry) for which the Minister of Sustainable Resource Development is accountable. Other entities reporting to the Minister are the Department of Sustainable Resource Development (the Department), the Environmental Protection and Enhancement Fund, and the Natural Resources Conservation Board. The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on an accrual basis. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal Government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return. Internal government transfers are recognized as revenue when received.

Expenses

Expenses are those costs the Fund has primary responsibility and accountability for, as reflected in the Government's budget documents.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES (Cont'd)

Net Assets/Net Liabilities

Net assets represent the difference between the carrying value of assets held by the Fund and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Fund operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash and cash equivalents, and accounts payable and accrued liabilities are estimated to approximate their carrying value because of the short-term nature of these instruments.

NOTE 3 CASH AND CASH EQUIVALENTS

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2012, securities held by the Fund have a time-weighted return of 1.3% per annum (2011: 1.1% per annum).

NOTE 4 NET ASSETS
(in thousands)

The Net Assets for the Fund are capped at $150,000 in accordance with the Land Stewardship Fund Regulation.

NOTE 5 TRANSFER FROM THE DEPARTMENT OF SUSTAINABLE RESOURCE DEVELOPMENT

Revenue received by the Department in payment for the sale of lands inventory was transferred to the Land Stewardship Fund according to the Land Stewardship Fund Regulation.

NOTE 6 SUBSEQUENT EVENT

On May 8, 2012, the government announced cabinet restructuring. As a result, the Ministry of Sustainable Resource Development was restructured. The Ministry of Sustainable Resource Development and the Ministry of Environment and Water were consolidated and are renamed as the "Ministry of Environment and Sustainable Resource Development".

NOTE 7 APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.

LAND STEWARDSHIP FUND **Schedule 1**

SCHEDULE TO FINANCIAL STATEMENTS

Expenses – Directly Incurred Detailed by Object

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
	(in thousands)		
Supplies and Services	$ 5,000	$ 982	$ 250
Transfer to the Department	-	1,075	-
Grants	-	4,271	-
Total Expenses	$ 5,000	$ 6,328	$ 250

LAND STEWARDSHIP FUND **Schedule 2**

SCHEDULE TO FINANCIAL STATEMENTS

Related Party Transactions

Year ended March 31, 2012

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Fund.

The Fund had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties.

	Entities in the Ministry	
	2012	2011
Revenues		
Internal Government Transfers – Proceeds from Surplus Land Sales (Note 2 and 5)	$ 60,458	$ 8,129
	$ 60,458	$ 8,129
Expenses – Directly Incurred		
Other Services	$ 1,075	$ -
Receivable From	$ 35,882	$ -
Payable To	$ 540	$ 5

LAND STEWARDSHIP FUND **Schedule 3**

SCHEDULE TO FINANCIAL STATEMENTS

Comparison of Expenses - Directly Incurred, Voted Expense by Element to Authorized Spending

Year ended March 31, 2012

Expense	2011-12 Estimates	Adjustments (a)	2011-12 Budget	Authorized Supplementary (b)	2011-12 Authorized Budget	Amounts Not Required To Be Voted (c)	2011-12 Authorized Spending	2011-12 Actual (d)	Unexpended (Over Expended)
				(in thousands)					
Expense									
Operating Expenses	$ 5,000	-	$ 5,000	$ -	$ 5,000	$ -	$ 5,000	$ 2,057	$ 2,943
Capital Grants	-	5,000	-	-	5,000	-	5,000	4,271	729
	$ 5,000	$ 5,000	$ 5,000	$ -	$ 10,000	$ -	$ 10,000	$ 6,328	$ 3,672

(a) Adjustments include encumbrances, credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. In the event that actual Voted Expense in the prior year exceeded the authorized spending, the difference is known as an encumbrance. The encumbrance reduces the budgeted amount for Voted Expense in the current year. Treasury Board and Enterprise approval is pursuant to section 24(2) of the Financial Administration Act.

(b) Supplementary Estimates were approved on November 21, 2011 for the payment of Grants for the Alberta Land Trust Program.

(c) Amounts not required to be voted.
Estimate amounts which do not require cash are no longer included in any supply vote. These amounts are now reported in all departments as non-cash amounts with-in the estimate of Amounts Not Required to be Voted.

(d) Expenses incurred per Statement of Operations.

Independent Auditor's Report

To the Members of the Natural Resources Conservation Board

Report on the Financial Statements

I have audited the accompanying financial statements of the Natural Resources Conservation Board, which comprise the statement of financial position as at March 31, 2012, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Natural Resources Conservation Board as at March 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by Merwan N. Saher, FCA

Auditor General

May 22, 2012

Edmonton, Alberta

NATURAL RESOURCES CONSERVATION BOARD

STATEMENT OF OPERATIONS

Year ended March 31, 2012

	2012		2011
	Budget	Actual	Actual
Revenues			
Transfer from the Department of Sustainable Resource Development	$5,987,000	$5,922,000	$5,652,000
Interest	10,000	50,073	43,211
Other	1,000	2,725	1,756
	5,998,000	5,974,798	5,696,967
Expenses – Directly Incurred (Note 2b)			
Salaries and Benefits	4,879,372	4,850,282	4,665,848
Travel	493,228	369,787	314,274
Office	330,900	355,500	303,840
Consulting Services	172,000	167,951	204,889
Telecommunications	83,500	77,204	72,082
Amortization of Tangible Capital Assets	50,000	34,517	30,433
Advertising	22,000	33,281	34,508
	6,031,000	5,888,522	5,625,874
Net Operating Results	($33,000)	$86,276	$71,093

The accompanying notes and schedule are part of these financial statements.

NATURAL RESOURCES CONSERVATION BOARD

STATEMENT OF FINANCIAL POSITION

As at March 31, 2012

	2012	2011
ASSETS		
Cash and Cash Equivalents (Note 3)	$3,160,230	$3,043,637
Accounts Receivable and Prepaid Expenses	28,418	19,122
Tangible Capital Assets (Note 4)	87,424	92,848
	$3,276,072	$3,155,607
LIABILITIES		
Accounts Payable and Accrued Liabilities	$388,173	$353,984
NET ASSETS		
Net Assets at Beginning of Year	2,801,623	2,730,530
Net Operating Results	86,276	71,093
Net Assets at End of Year	2,887,899	2,801,623
	$3,276,072	$3,155,607

The accompanying notes and schedule are part of these financial statements.

NATURAL RESOURCES CONSERVATION BOARD

STATEMENT OF CASH FLOWS

Year ended March 31, 2012

	2012	2011
Operating Transactions		
Net Operating Results	$86,276	$71,093
Non-cash item included in Net Operating Results		
Amortization	34,517	30,433
	120,793	101,526
Increase in Accounts Receivable and Prepaid Expenses	(9,296)	(17,198)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	34,189	(10,718)
Cash Provided by Operating Transactions	145,686	73,610
Capital Transactions		
Acquisition of Tangible Capital Assets	(29,093)	(42,372)
Cash Applied to Capital Transactions	(29,093)	(42,372)
Increase in Cash and Cash Equivalents	116,593	31,238
Cash and Cash Equivalents at Beginning of Year	3,043,637	3,012,399
Cash and Cash Equivalents at End of Year	$3,160,230	$3,043,637

The accompanying notes and schedule are part of these financial statements.

Note 1 Authority and Purpose

The Natural Resources Conservation Board (NRCB) operates under the authority of the *Natural Resources Conservation Board Act*, Chapter N-3, RSA 2000 (NRCBA). NRCB's mandate is to provide for an impartial process to review projects that will or may affect the natural resources of the Province of Alberta. Included in this mandate are reviewable projects described in the NRCBA as well as the regulatory responsibilities set out in Part 2 of the *Agricultural Operation Practices Act*, Chapter A-7, RSA 2000 (AOPA) for the approval, monitoring and compliance of livestock confined feeding operations.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates and approximations. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Revenue Recognition

All revenues are reported on the accrual basis of accounting.

b) Expenses

Directly Incurred

Directly incurred expenses are those costs the NRCB has primary responsibility and accountability for, as reflected in the budget.

Incurred by Others

Services contributed by other entities in support of NRCB's operations are not recognized and are disclosed in Note 7 and in the Schedule of Allocated Costs.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

c) Tangible Capital Assets

Tangible capital assets are recorded at historical cost. The threshold for capitalizing new tangible capital assets is $5,000. These assets are amortized over their estimated useful lives commencing in the month following acquisition, using the following annual rates and methods:

Computer hardware	Straight line – 3 years
Computer software	Straight line – 2 to 3 years
Office equipment	Declining balance – 20% per year
Office furniture	Declining balance – 20% per year

d) Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

e) Valuation of Financial Assets and Liabilities

The fair values of accounts receivable and prepaid expenses, and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments.

f) Net Assets

Net assets represent the difference between the carrying value of assets held by the NRCB and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The NRCB operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

g) Pension Expense

Multi-employer defined benefit plans are accounted for as defined contribution plans, the expense being limited to the employer's annual contributions for the year.

Note 3 Cash and Cash Equivalents

Cash and Cash Equivalents consist of deposits in the Consolidated Cash Investment Trust Fund. The Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2012, securities held by the Fund have a time-weighted return of 1.3% per annum (2011: 1.1% per annum).

Note 4 Tangible Capital Assets

Tangible capital assets are recorded at historical cost less accumulated amortization.

	2012			2011
	Historical Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	$197,003	$145,456	$51,547	$46,525
Computer software	16,130	12,474	3,656	5,485
Office equipment	47,163	38,080	9,083	11,641
Office furniture	209,180	186,042	23,138	29,197
	$469,476	$382,052	$87,424	$92,848

Note 5 Pension

The NRCB participates in the Management Employees Pension Plan and Supplementary Retirement Plan for Public Service Managers which are government multi-employer pension plans. The expense for these pension plans is equivalent to the annual contributions of $90,788 for the year ended March 31, 2012 (2011: $75,935). The NRCB is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2011 the Management Employees Pension Plan reported a deficiency of $517,726,000 (2010: deficiency of $397,087,000). At December 31, 2011 the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $53,489,000 (2010: deficiency of $39,559,000).

In addition, the NRCB sponsors a defined contribution pension plan for employees who are not eligible to participate in the government sponsored pension plans. The expense for this pension plan is $251,767 for the year ended March 31, 2012 (2011: $247,151). Pension expense comprises the cost of employer contributions during the year.

Note 6 Salaries and Benefits

	2012				2011
	Base Salary[a]	Other Cash Benefits[b]	Other Non-Cash Benefits[c]	Total	Total
Chair[d] [e]	$150,743	$13,353	$34,888	$198,984	$191,637
Board Member 1[e]	125,244	2,096	38,469	165,809	163,524
Board Member 2[f] [g]	109,590	6,418	36,772	152,780	132,823
Board Member 3[f] [h]	37,500	1,241	9,704	48,445	11,471
CEO	181,806	8,490	50,435	240,731	224,005

Prepared in accordance with Treasury Board Directive 12/98 as amended.

(a) Base salary includes pensionable base pay.

(b) Other cash benefits include health benefits pay in lieu, pension payout, lump sum payments and vacation payouts. There were no bonuses paid in 2012.

(c) Other non-cash benefits include the NRCB's share of all employee benefits and contributions or payments made on behalf of employees including Employment Insurance, Canada Pension Plan, pension and supplementary retirement plans, RRSP, Non-Registered Savings Plan, health benefits, professional memberships, and WCB premiums. The NRCB is a participant in the Energy Resources Conservation Board (ERCB) flexible health benefit plan.

(d) Automobile allowance included in other non-cash benefits.

(e) The position is 80% permanent part-time.

(f) The position is 60% permanent part-time.

(g) The position was 80% for six months.

(h) The position commenced on November 1, 2011.

Note 7 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management of the NRCB.

The NRCB received $5,922,000 (2011: $5,652,000) in net transfers from the Department of Sustainable Resource Development and $50,073 (2011: $43,211) in revenue from other Government of Alberta departments. On May 8, 2012, the Ministry of Sustainable Resource Development and the Ministry of Environment and Water were consolidated and are renamed as the "Ministry of Environment and Sustainable Resource Development". During the year, the NRCB paid $102,152 (2011: $79,615) to various Government of Alberta departments and agencies for supplies and/or services. The Statement of Financial Position also includes $14,015 (2011: $252) as payable to various government entities.

In addition, the NRCB entered into the following transactions which are not reflected in the Statement of Operations:

Certain expenses for office space incurred on behalf of the NRCB by the Department of Infrastructure. These expenses amount to $456,139 (2011: $382,426) and are reflected in the Schedule of Allocated Costs.

The NRCB has a Memorandum of Understanding (MOU) with the ERCB and an MOU with the Alberta Utilities Commission (AUC) to share resources on an-ongoing basis. Under the MOUs the NRCB is both a service provider and a service recipient. As a service provider, the NRCB contributed $0 (2011: $63,063) in services to the AUC. As a service recipient, the NRCB received services from the ERCB of $0 (2011: $8,381).

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Note 8 Budget

The budget was included in the 2011-12 Government Estimates. The budget was approved by the Board on April 13, 2011.

Note 9 Approval of Financial Statements

The financial statements were approved by the Board on May 22, 2012.

NATURAL RESOURCES CONSERVATION BOARD

SCHEDULE TO FINANCIAL STATEMENTS

Allocated Costs

Year ended March 31, 2012

	2012			2011
AOPA and NRCBA Mandates	Expenses	Expenses incurred by others Office Costs [1]	Total Expenses	Total Expenses
Board[2]	$1,127,149	$87,312	$1,214,461	$1,137,611
Operations[3]	4,761,373	368,827	5,130,200	4,879,070
	$5,888,522	$456,139	$6,344,661	$6,016,681

(1) See Note 7, Related Party Transactions.

(2) Board comprises expenses related to AOPA appeals and NRCBA reviews.

(3) Operations comprise expenses related to (a) the approval, monitoring and compliance activities under AOPA and (b) science and technical activities in support of AOPA and NRCBA mandates. NRCBA applications include the following projects: Parsons Creek Aggregates Limestone Quarry, and past and potential projects, and the MOUs with the ERCB and AUC shown in Note 7.

Unaudited Statement of Remissions, Compromises and Write-Offs

Year ended March 31, 2012

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Remissions under Section 21 of the *Financial Administration Act*		$ -
Compromises under Section 22 of the *Financial Administration Act*		-
Write-offs		
Departmental Accounts Receivable	103,314	
Department Accounts Payable Credits	-	
Total Write-offs		103,314
Total Remissions, Compromises and Write-offs		$ 103,314

Performance Measure Methodology

1a Economic benefit from Alberta's public lands

Land is a fixed commodity. It cannot be manufactured and is a source of wealth and prosperity for Alberta. The term economic benefit is defined as benefit quantified in terms of money, revenue or income. This measure portrays the economic benefit Albertans receive from developing our provincial land-based resources. Total revenue from the Lands Division is expressed as a benefit/cost ratio with Sustainable Resource Development's actual annual expenses for managing public land. Lands Division actual expenses are also calculated as a benefit/cost ratio with Alberta's provincial royalty revenue. The economic value Alberta's economy gains from the land through harvested commodities such as timber, or oil and gas is large in comparison. This measure captures the economic gains from commodities produced by allowing industry to access and use Alberta's public land. Results for this measure lag by one year.

1b Sustainable Timber Harvest

Results reflect Alberta's ability to manage forests on Crown land in a sustainable manner. Annual allowable cut (AAC) is the amount of timber that can be harvested on a sustainable basis (in accordance with the policy of sustained yield) within a defined planning area. Recreation areas, wildlife reserves, stream buffers and other non-operable lands are excluded from the AAC calculation. The AAC is determined on either an individual Forest Management Unit (FMU) basis or specific Forest Management Agreement (FMA) area basis. Information is stored in a database and summed to determine the total provincial AAC for the province. Data from the Timber Production and Revenue System is used to determine the provincial harvest level (actual timber harvest). Certain volumes are not included in the harvest level for the purpose of comparability to the AAC. For example, fire salvage is not included in harvest levels if it does not contribute to the AAC. A five-year rolling average is used to report provincial AAC and actual timber harvest levels and results lag by one year.

1c Healthy fish and wildlife participation

The Resource Licensing Management System (RELM) tracks licensing transactions for hunters and anglers in Alberta. The number of licencing transactions is extracted from RELM to report on hunting and angling activity on an annual basis. Results of Sustainable Resource Development's performance in maintaining hunting and angling participation is reported as a percentage change in number of licences. Sustainable Resource Development encourages hunting and fishing in the province because these activities promote responsible wildlife stewardship of Alberta's natural resources for future generations and provide economic, environmental and social benefits for Albertans.

2a Rangeland Sustainability

This measure helps determine the sustainability of public rangeland. Grazing leases scheduled to expire in the year of the annual report (approximately 10 per cent of total grazing leases held in the province) are assessed for sustainable rangeland health and management practices. The Geographic Land Information Management and Planning System (GLIMPS) selects grazing leases for this measure and lease inspection results are recorded in GLIMPS. The number of grazing leases found to be good standing is divided by the total number of leases inspected and then multiplied by 100. From this the percentage of grazing leases in good standing is determined. Results for this measure lag by one year.

2b Healthy Forests - wildfire

The number of wildfires contained within the first burning period (by 10 a.m. the day following assessment) is expressed as a percentage of all wildfires that occur during the fire season (April 1 to October 31). Wildfires in the province are thoroughly tracked for detection, assessment, control, and containment logging time and resources used. The results of the performance measure indicate how quickly the Ministry controls wildfires. Early detection, assessment and containment success minimizes fire loss and reduces suppression costs.

2.c Healthy forests – industry

This measure demonstrates the level of the forest industry's compliance with required legislation and established forest management practices. It reflects the work Sustainable Resource Development does to ensure that the forest industry is following legislation and operating standards governing forestry and reforestation activities. Sustainable Resource Development monitors the forest industry's activities and enforces non-compliance when warranted. To determine the total number of enforcement actions in a given timber year, the Incident Reporting System is queried to produce a compilation of forestry related penalty assessments, waivers and warnings. The total number of blocks cut in a given timber year is derived from information on new openings. The number of enforcement actions divided by the number of openings determines the per cent of openings harvested without incident.

2d Healthy fish and wildlife - populations

Every five years Sustainable Resource Development's performance with respect to maintaining healthy, sustainable wildlife is calculated by Sustainable Resource Development's wildlife biologists using the following method. First, the total number of endangered and threatened species listed in the Alberta's Wildlife Act is divided by the total number of vertebrate species in the province. The ratio is then expressed as a percentage. The total number of vertebrate species in the province is obtained from the general status ranking for each wild species in Alberta. The general status ranking is provided by species experts from government, industry, academia, and the general public and is publicly reported every five years. Status is based on trends in size, distribution of population, and threats to habitat. The Endangered Species Conservation Committee reviews information supporting status rankings and provides advice for legal designation as endangered or threatened. Results enable comparison of the percentage of species at risk in Alberta over time and indicate when special management and recovery actions are necessary. Species listed in the Wildlife Act as endangered or threatened are protected and identified as candidates for recovery programs.

3a Regional Planning

This measure gauges progress in implementing Alberta's Land-use Framework. The regional plans under the Land-use Framework must be approved by Cabinet to be considered completed. The number of regional plans approved by Cabinet is summed cumulatively every fiscal year.

3b Healthy forests – rate of regrowth

The rate of forest regrowth is the percentage of targeted regrowth achieved on harvested areas at the time of last mandated assessment. This measure ensures that reforestation continues to sustain Alberta's public forests and forest lands following industrial harvesting. Monitoring reforestation in relation to regeneration standards is an essential part continued forest sustainability and demonstrates efforts that Sustainable Resource Development (Sustainable Resource Development) staff perform to sustain Alberta's forest resources. The current forest regeneration assessment system utilizes detailed data and assesses sufficiency of the harvested areas reforestation status. Two approaches are used either by assessing the measures status relative to a fixed point-in-time standard, or by forecasting the growth rate of the reforested trees relative to the growth rate assumed for that forest type in the Forest Management Plan (FMP) for the area. The regrowth rate measure reports a single metric combining both systems of assessing regeneration performance.

3c Healthy fish and wildlife - stewardship

Hunting and fishing are an important part of Alberta's social, cultural and economic heritage. Sustainable Resource Development encourages hunting and fishing in the province because these activities promote responsible stewardship of Alberta's natural resources for future generations and provide economic, environmental and social benefits for Albertans. Continued participation by youth hunters and anglers will support Alberta's hunting and fishing communities and help to sustain respect and appreciation for Alberta's natural habitats. Results of Sustainable Resource Development's performance in maintaining the number of adult and youth hunters and anglers are reported as a percentage change in numbers from one year to the next. The number of adult and youth hunters and anglers are extracted from RELM.